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GROUSE MOUNTAIN RESORTS LTD. Annual Report October 31, 1975

***Cover Photos:** Meadows of wild flowers are prominent in the summer.
Inset photos, left: Results of the seeding and controlled sprinkling program produced grassy slopes on the Cut ski run.

Right: Skiing, the other half of Grouse Mountain's dual season operation.

Below: Aerial photograph showing the newly acquired triangle of land (adjacent to the Skyride base terminal) on which recreationally oriented clustered town-house condominiums will be constructed.

Financial Highlights

	Five Months Ended October 31, 1975	Year Ended May 31, 1975
For the Period:		
Passenger traffic	138,464	489,935
Gross revenue	$ 990,330	$4,166,952
Working Capital provided by (used for) operations	$ (108,174)	$ 898,907
Net earnings (loss)	$ (78,607)	$ 151,270
Additions to plant and equipment	$1,729,942	$ 850,511
Per Common Share:		
Working Capital provided by (used for) operations	$ (.04)	$ .30
Net earnings (loss)	$ (.03)	$ .05
Year End Position:		
Bank debt	$1,503,000	$ 180,000
Debenture debt	$ 134,000	$ 134,000
Shareholders' equity	$6,198,967	$6,277,574
Total assets	$9,769,385	$7,955,615

Report to the Shareholders

During 1975, the fiscal year-end for Grouse Mountain Resorts was altered from May 31st to October 31st. The process of implementing this change has created a five month "year" covering the period from June 1st to October 31st, the financial information for which is incorporated in this, the second 1975 "Annual Report".

While the very concept of a five month "year" inhibits comparison with previously published audited figures for the old twelve month period, certain specific information can be presented that will aid shareholder interpretation of this Annual Report.

First is to note that the five months in question cover exclusively Grouse Mountain's summer operation, with revenue limited to Skyride, dining and gift shop sales, there being no skiing income during this time. As shown in the statements, the after-tax loss for this period is $78,607 or three cents per share. Weather played an unusually dominant role in the summer traffic pattern with August, traditionally the highest volume period, experiencing the greatest amount of rain and least hours of sunshine in recorded history, depressing Skyride traffic for the five months under review to 138,464, the lowest in five years.

Although comparable five month audited figures are unavailable, data from unaudited statements reveals operating expenses to have been held below the 1974 level, the documented loss stemming directly from the traffic decline and related 13 per cent drop in gross revenue.

As previously reported, 1975 saw the introduction of a new, moderately priced casual dining format, developed as an alternative to the traditional fine dining experience that has characterized the Grouse Nest Restaurant for the past seven years. Insufficient promotion of this new "popular priced menu"—a situation that will be corrected for the 1976 summer season—produced a level of restaurant patronage somewhat below budget, necessitating significant reduction in operating expenses to hold department earnings within 60 per cent of that realized during the 1974 five month period. Renewed effort is being extended to re-establish market penetration for the Grouse Nest (especially group business), and to advance restaurant profit performance in fiscal 1976.

The exceptionally unfavourable 1975 summer weather pattern also had its impact on Grouse Mountain Resorts' affiliated operations—particularly at Hell's Gate, a site until this past year being reasonably isolated from this phenomenon. Repeated rain throughout August (and less than favourable weather in the shoulder months) saw Canyon Aerial Tramways record a four per cent traffic decline—its first setback in the five year growth pattern achieved during its April to October operating period. Contribution to profit from Canyon thus dropped from $16,132 to $9,888. However, with the positive influence of the growing number of pre-booked bus tours scheduled to stop at this popular location in 1976 (secure business that is relatively isolated from the vagaries of nature), earnings improvement from this source should be realized next year.

The most notable activity initiated on Grouse Mountain during the 1975 summer season was the commencement of construction for the new 100-passenger aerial tramway. As illustrated in the photographs incorporated in this Annual Report, the year-end witnessed the completion of excavation and blasting for the lower and upper terminals and the two tower sites, plus a major portion of the forming and concrete pouring at each of these locations. Installation of the parallel Skyride was made possible with the establishment of a new right-of-way and base parking lease with the Greater Vancouver Water District. Concentrated effort is being directed to maintain the construction program throughout the critical winter months to assure completion of the new facility by the fall of 1976 in time for utilization during the 1976-77 ski season.

John Hoegg, President, boarding construction helicopter at Skyride base terminal.

John Stokes, Vice President and General Manager, overseeing construction of upper terminal for new 100-passenger aerial tramway.

Al Wings, Executive Chef and Loft Manager, discusses the menu with hostess, Valerie Jacobson.

During the past five month period Grouse Mountain Resorts established the financing base to undertake a major capital expansion program that, although highlighted by the new 100-passenger aerial tramway, will also include a 1400 person per hour chairlift to be installed in Blueberry Bowl, thereby doubling the uphill lift capacity in this popular ski area. The construction contract for this lift, which will run from the bottom of the Bowl to the top of the Inferno ski run, calls for its installation during the 1976 summer season. Expansion of night lighting in Blueberry Bowl and along the Sidecut ski run will be undertaken at the same time.

Although less visible than lift construction, work on the various ski slopes recorded a material advance during 1975. Aided by the extensive sprinkling capacity of the 100-hydrant snowmaking system, your company for the first time was able to provide a controlled amount of fresh water to the newly seeded slopes. The apparently simple task of growing grass, which had proved to be unsuccessful through repeated attempts during the past decade, this year became a milestone achievement, an environmental advance that will preserve the mountain soil from further run-off and at the same time permit an earlier start to the ski season.

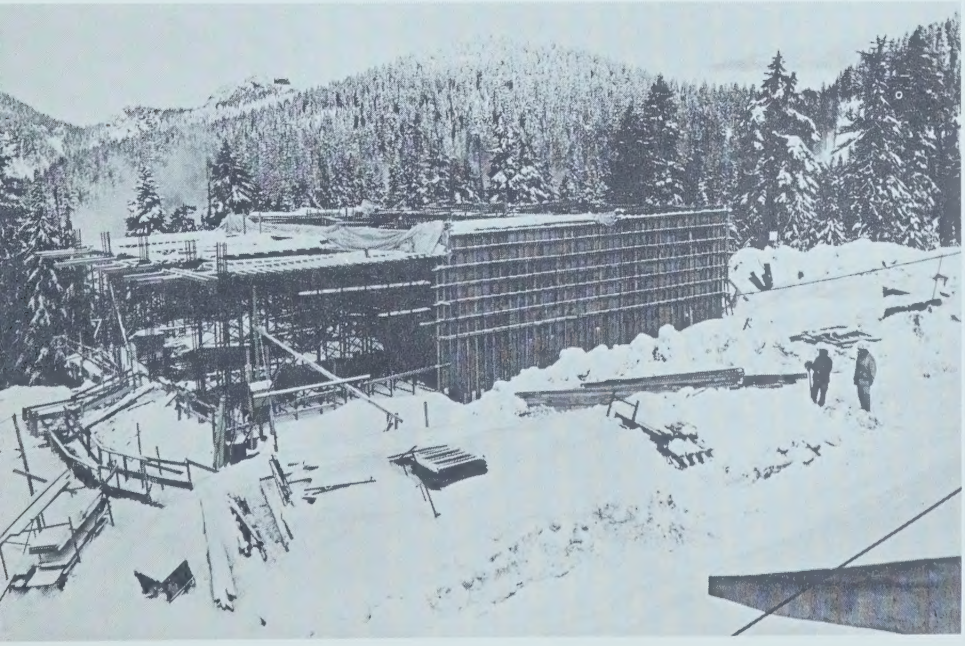
In many ways, it is the "Greening of Grouse" (as it has been described in a recent newspaper article) and not mountain construction activity that represents the significant difference between 1975 and all previous summer seasons. The creation of true mountain meadows now looms as a distinct possibility if utilization of the snowmaking hydrants to support future seeding enjoys the success of the 1975 summer program.

Perhaps of greatest significance to the long term future of Grouse Mountain Resorts has been recent developments in the somewhat prolonged efforts by your company to initiate a major real estate expansion program. Negotiations with the Greater Vancouver Water District to acquire the 128 acre "Triangle" property adjacent to the Skyride lower terminal have been completed. Accordingly, it now may be reported to shareholders that on January 28th, 1976, the Greater Vancouver Water District Board passed a resolution to lease the subject property to Grouse Mountain Resorts for 99 years, the pre-paid rental to be remitted in equal instalments over a 5 year period, or earlier if site development and marketing is achieved ahead of schedule. The transaction in question visualizes the establishment of appropriate zoning during 1976, followed by a four year construction schedule that will see from 100 to 150 condominium townhouses offered to the market each year, plus a selected number of single family building lots. When completed, the entire project will represent an exceptionally attractive living environment made possible by this one-time opportunity to integrate the recreational amenities of Grouse Mountain with an adjacent residential community. Here the quality of life and sensitivity for the surrounding environment will be paramount considerations in the design and development of this unique site. Further, the anticipated economic benefit will assist the financing of Grouse Mountain Resorts' new aerial tramway and related recreational facilities.

Grouse Mountain Resorts' employee count at October 31st, the "low point" of the year between summer and winter seasons, totalled 183. It is through the efforts of these key permanent staff members that the advances of 1975 were realized, and the base established for the expanded level of operations that has been opened to the company for 1976 and beyond. Our thanks to all of them.

On behalf of the Board of Directors,
John E. Hoegg,
President.

*Construction of upper terminal for new 100-passenger aerial tramway, being erected parallel to the existing Skyride.



Summer tourists taking in the view from the Top of Grouse Mountain.

Consolidated Balance Sheet

Assets

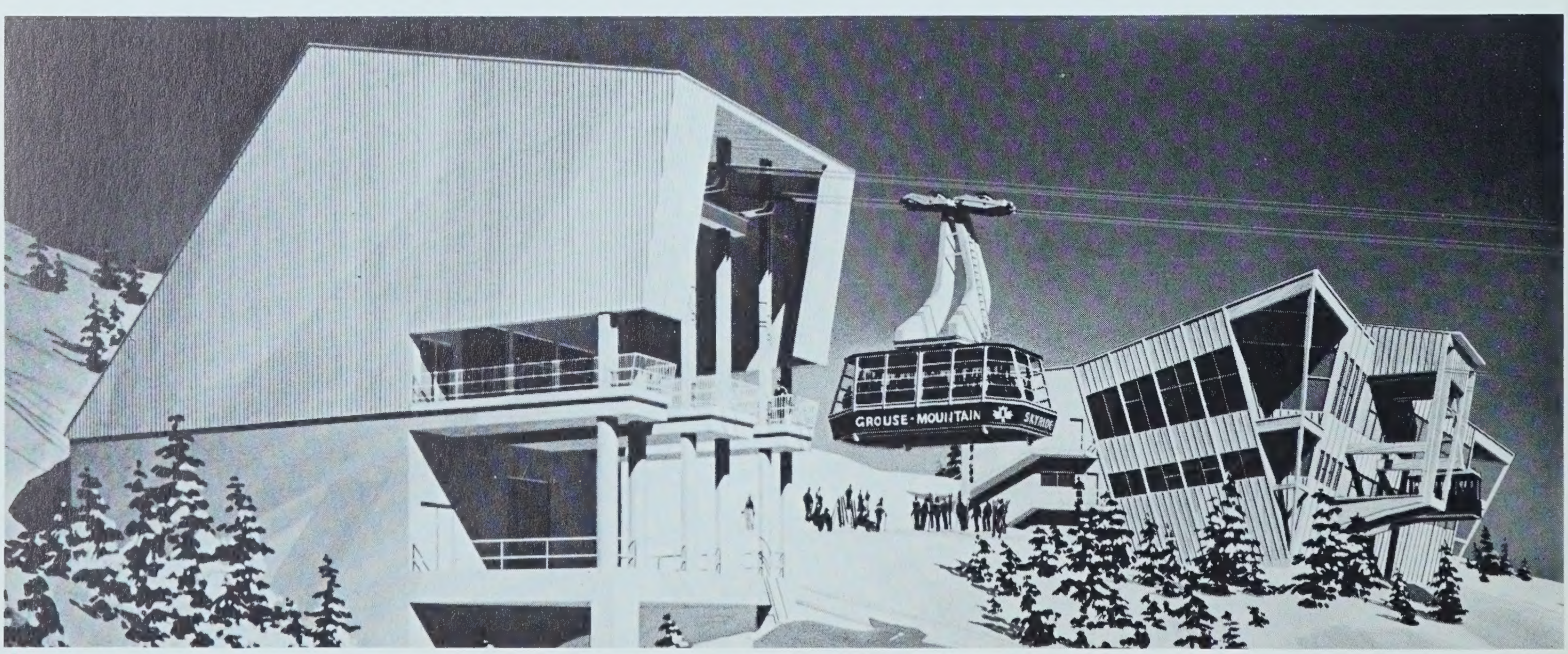
	October 31, 1975	May 31, 1975
Current Assets		
Cash and short-term deposits	$ 17,210	116,874
Trade and other receivables	143,406	63,196
Insurance claims (Note 3)	435,926	509,850
Inventories (Note 1)	311,120	341,699
Prepaid expenses	46,972	36,967
	954,634	1,068,586
Deferred Ski Season Expenses (Note 1)	231,965	—
Other Assets		
Investments (Note 4)	381,023	372,419
Deferred costs (Note 5)	409,623	355,844
	790,646	728,263
Property, Plant and Equipment (Note 1)		
Tramway, buildings, chairlifts and other mountain equipment	8,209,959	8,053,425
Accumulated depreciation	2,508,696	2,495,260
	5,701,263	5,558,165
Land	391,896	391,896
	6,093,159	5,950,061
Construction in Progress (Note 6)	1,698,981	208,705
	$ 9,769,385	7,955,615

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Andrew E. Saxton, Director **John E. Hoegg,** Director

Artist's conception of upper terminal
for new 100-passenger aerial tramway.



Liabilities and Shareholders' Equity

	October 31, 1975	May 31, 1975
Current Liabilities		
Demand bank loans (Note 7)	**$ 179,000**	180,000
Payables and accruals	**490,312**	360,355
Construction holdbacks	**—**	212,330
	669,312	752,685
Deferred Ski Season Revenue (Note 1)	**372,769**	—
Long-Term Financing—New Construction		
Payables and construction holdbacks	**374,981**	—
Bank loan (Note 7)	**1,324,000**	—
	1,698,981	—
Debentures (Note 8)	**134,000**	134,000
Deferred Income Taxes	**695,356**	791,356
Shareholders' Equity		
Share capital (Note 9)	**5,715,745**	5,715,745
Contributed surplus	**45,368**	45,368
Retained earnings	**437,854**	516,461
	6,198,967	6,277,574
	$ 9,769,385	7,955,615

Mark Germyn, Base Supervisor, in radio contact with Mobile One.

Our Skyride Controller, keeping careful watch on the closed circuit television screen.

Consolidated Statement of Earnings and Retained Earnings

	Five months ended October 31, 1975	Year ended May 31, 1975
Revenue		
From operations	$ 1,045,556	4,051,487
Insurance claims (Note 3)	(55,226)	115,465
	990,330	4,166,952
Costs and Expenses		
Cost of sales, general and operating expenses	1,072,394	3,259,053
Depreciation	81,676	536,928
Interest on long-term debt	3,908	9,380
Other interest	16,847	12,528
	1,174,825	3,817,889
Earnings (Loss) Before Income Taxes (Reduction) and Share of Earnings (Loss) of Investee	(184,495)	349,063
Deferred income taxes (reduction)	(96,000)	197,700
Earnings (Loss) Before Share of Earnings (Loss) of Investee	(88,495)	151,363
Share of earnings (loss) of investee (Note 1)	9,888	(93)
Net Earnings (Loss)	(78,607)	151,270
Retained Earnings at Beginning of Period	516,461	365,191
Retained Earnings at End of Period	$ 437,854	516,461
Earnings (Loss) Per Common Share (Note 10)	$(.03)	.05

Consolidated Statement of Changes in Financial Position

	Five months ended October 31, 1975	Year ended May 31, 1975
Working Capital Provided by		
Operations (Note 11)	$ —	898,907
Issue of common shares	—	62,890
Long-term financing—new construction	1,698,981	—
Deferred ski season revenue	372,769	—
Sale of equipment	23,319	24,528
Reduction in investment (Note 4)	1,284	—
Repayment of advance by 50% owned company	—	30,330
	2,096,353	1,016,655
Working Capital Used For		
Operations (Note 11)	108,174	—
Property, plant and equipment	1,729,942	850,511
Deferred ski season expenses	231,965	—
Deferred real estate development costs	56,851	213,680
Investments	—	42,117
	2,126,932	1,106,308
Working Capital		
Decrease during the period	30,579	89,653
Working capital at beginning of period	315,901	405,554
Working capital at end of period	$ 285,322	315,901

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements October 31, 1975

1. Accounting policies

Principles of consolidation
The financial statements include the accounts of the company and all subsidiaries. All material inter-company transactions are eliminated. Subsidiary companies are Ski Village Limited, Lifts Limited and Westcoast Environmental Resources Ltd.

Investee
The company follows the equity method of accounting for the investee.

Inventories
Inventories of spare parts, food and merchandise are valued at the lower of cost or net realizable value.

Property, plant and equipment
Property, plant and equipment is comprised of a tramway, buildings, chairlifts and other mountain equipment and is stated at cost.

Depreciation
Depreciation is determined at rates which will reduce original cost to estimated residual value over the useful life of each asset, applied on the straight-line method and allocated to expense based on the portion of the fiscal year in which the assets are utilized. Material profits or losses on disposals are included in income at the date of disposition and the carrying value of such disposals is removed from the accounts. Principal assets are depreciated at the following rates:

Tramway, buildings and chairlifts	5%
Machinery and equipment	10%
Automotive equipment	20%
Rental equipment	33-1/3%

Deferred income taxes
Taxes deferred (reduction in taxes deferred) as the result of claiming for tax purposes amounts different from those recorded in the accounts are charged (credited) against current earnings (loss) and are recorded in the balance sheet as deferred income tax credits (reductions). Timing differences arose principally from depreciation, lease costs and deferred costs.

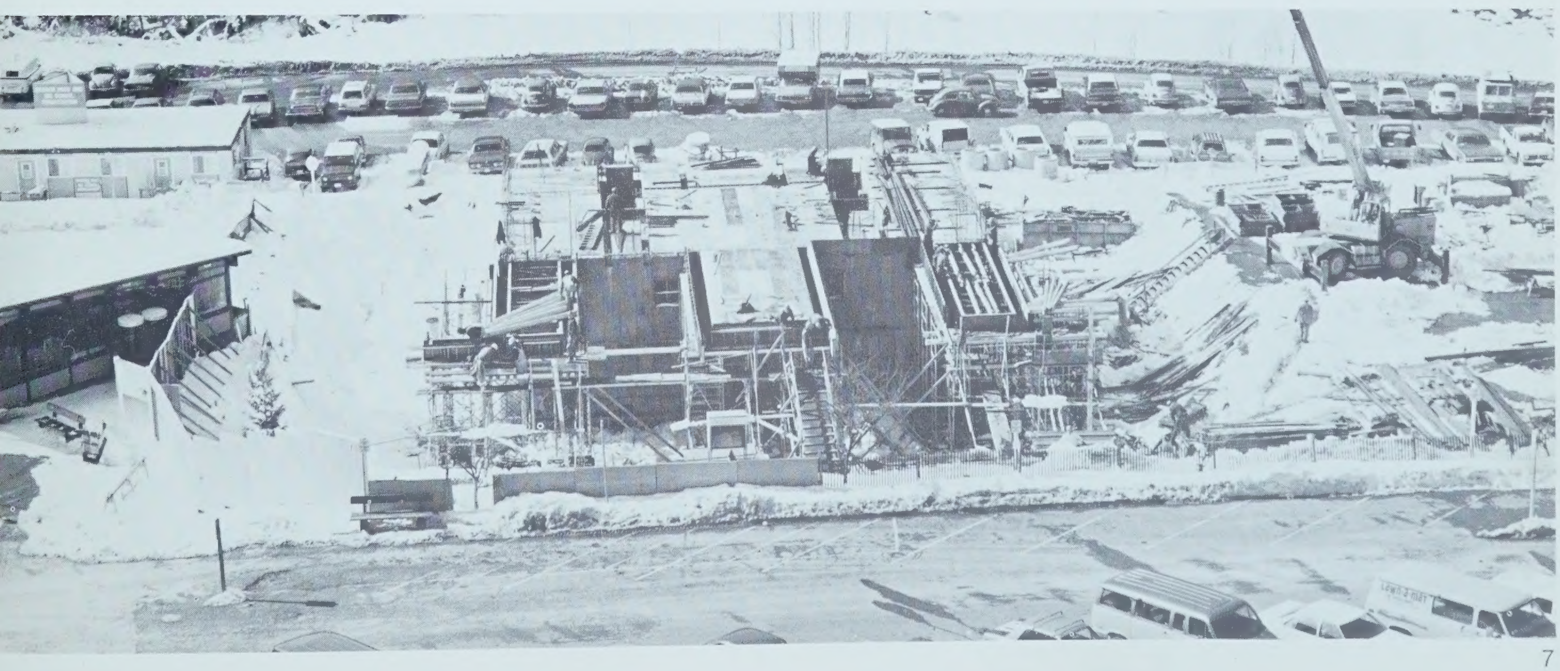
Deferred real estate development costs
Research and survey costs have been incurred in connection with a proposal to construct residential housing on or adjacent to the company's property and subsequent amendments to this proposal. These amounts will be included in the cost of the real estate if the project is developed or, if the project is abandoned, the portion of the costs that are then determined to have no continuing value to the company will be included as a charge against operations.

Deferred ski season revenues and expenses
Ski season revenues received in advance and relating largely to the sale of season's passes are deferred and included in the determination of net income during the period from November to April. Costs incurred in the summer season to repair chairlifts and other mountain equipment and to groom the ski slopes are included in the determination of net income during the following ski season.

Debenture discount
Discount on the issue of long-term debentures is deferred and amortized over the life of the debenture or the period to the date of redemption.

Deferred lease cancellation costs
The cost of terminating the lease permitting operation of the ski rental business now conducted by the com-

Lower terminal for new aerial tramway under construction next to existing base station.



pany is being amortized over the seven years remaining in the balance of the original term of the lease.

Maintenance and repairs
Maintenance and repairs of a routine nature are charged against operations in the season in which the related asset is used. Costs incurred to improve existing assets or to extend their useful life are capitalized.

Change of year-end
The company's fiscal year-end was changed from May 31 to October 31, in 1975 in order to approximate that of its parent company to the extent considered practicable giving recognition to the seasonal nature of the company's business. Accordingly, the results of operations for the five month period may not be representative of future operations. Up to May 31, 1975, the operations of the investee company were reflected in the accounts on the basis of the investee's previous fiscal year which ended on February 28. With the change in the company's fiscal year it was considered desirable to take up the investee's earnings on the basis of the investee's new fiscal year which now ends on November 30. Accordingly, the equity take up included in the current statement of earnings is for the nine month period ended November 30, 1975. The company's share of earnings of the investee for the additional four months required to effect this change is $18,008 and has been included in the determination of net earnings for the current year.

2. Outstanding litigation

In connection with work performed under a previous construction contract, a writ and statement of claim have been filed against the company asserting specified damages of approximately $130,000 which, if paid, would be treated as additions to property, plant and equipment. Management intends to defend this action which it considers to be without foundation and no provision has been made in the accounts.

3. Insurance claims

During November 1975, the company settled claims in respect of a 1974 tramway accident at $50,200 less than originally estimated. This amount together with costs incurred to settle these claims, has been recorded as a charge against income in the current period.

Claims for damage to equipment and loss of operating income which occurred during the year ended May 31, 1975, and calculated on a similar basis to that agreed for claims settled in November 1975, have been filed and are recorded in the accounts at estimated amounts.

4. Investments

	October 31, 1975	May 31, 1975
Pacific Undersea Gardens Ltd. (50% owned) at cost		
Common shares	$ **500**	500
Preference shares (non-cumulative)	**88,065**	88,065
Advances	**47,871**	47,871
	136,436	136,436
Canyon Aerial Tramways Ltd. (investee—42% owned) at cost, less share of accumulated loss	**203,754**	193,866
	340,190	330,302

Grouse Mountain ski bus runs a shuttle service for skiers.

Après ski activities in the Loft Disco.

Skiers point out proposed Inferno Chairlift on ski map located behind the Skyride upper terminal.

	October 31, 1975	May 31, 1975
Mortgage from director due in equal instalments to 1985, less current portion, at cost	40,833	42,117
	$ 381,023	372,419

The company's investment in Pacific Undersea Gardens Ltd. is accounted for at cost and has not been adjusted to reflect the applicable share of accumulated losses recorded by that company to its fiscal year ended May 31, 1975. The investment in common shares is recorded at cost which is nominal in amount, the advances are fully secured and considered realizable and the book value of the preference shares exceeds their recorded cost.

5. Deferred costs

	October 31, 1975	May 31, 1975
Unamortized debenture discount	$ 3,999	4,156
Unamortized lease cancellation cost	46,096	49,011
Real estate development costs	359,528	302,677
	$ 409,623	355,844

6. Construction in progress and commitments

As part of a capital acquisition program, the company has commenced construction of a 100 passenger aerial tramway having an estimated cost of $5,950,000. Equipment design and construction contracts have been executed for approximately $2,000,000 with the remainder of work largely being performed on a "cost-plus" basis. Payments of $685,000 on the equipment contracts and $639,000 on "cost-plus" construction work have been made. These amounts together with holdbacks and unpaid progress billings are included in the balance sheet under the caption "construction in progress".

A new chairlift was ordered in November, 1975 for installation in the summer of 1976. A contract of $606,000 has been executed for purchase and installation of this equipment and further costs of $94,000 will be incurred for preparation of the site.

7. Demand bank loans

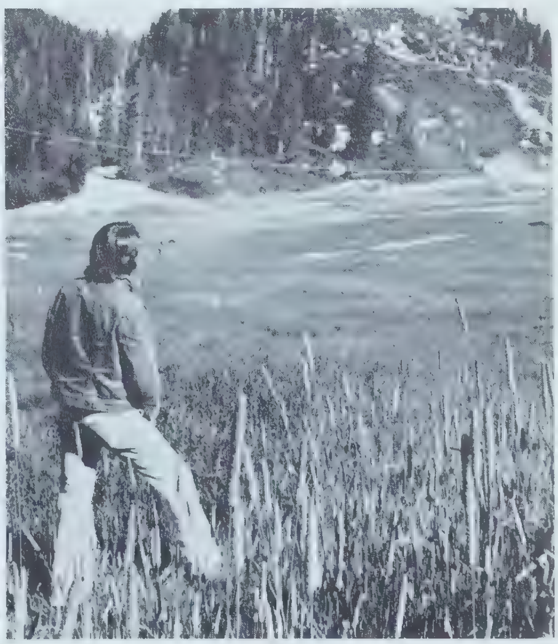
The loan agreements provide a line of credit authorizing a $1,000,000 operating loan and a $6,500,000 capital loan, bearing interest at prime rate plus 1% and 2½% per annum respectively. The operating loan has no set repayment schedule. While the capital loan is repayable on demand, the loan agreement provides for repayment in seven equal annual instalments commencing in 1977 providing all conditions of the loan agreement are met. Funds advanced of $1,324,000 which have been applied to capital projects are classified as long-term debt. Interest of $23,000 to October 31, 1975 on this amount has been capitalized as part of construction in progress.

The loans are presently secured by a demand debenture of $1,000,000, and a letter of undertaking to execute a $7,500,000 demand debenture to replace this, which will provide first fixed and floating charges on

Access roadway under construction.

Mike Moustakis and Nick Segounis ensure excellent service in The Lounge.

Mountain Manager, John Currie, checking snowmaking hydrants, used for controlled sprinkling on grassy mountain slopes.



all assets of the company after making provision for a previously existing second fixed and floating charge on assets in excess of $3,000,000 by holders of the 7% debentures (Note 8). Additional security is provided by a general assignment of book debts and hypothecation of the shares of Canyon Aerial Tramways Ltd. and Pacific Undersea Gardens Ltd. held by the company.

8. Debentures

The 7% convertible redeemable sinking fund debentures maturing June 15, 1986 are secured by a second fixed charge on land and certain assets of the company and a second floating charge on the remaining assets (Note 7).

Purchase fund requirements to the maturity date of the debentures have been met by conversions and redemptions to date. The outstanding debentures are convertible into common shares at the option of the holders. The rate for conversion of debentures into common shares is fixed at 500 shares per $1,000 of debentures until June 30, 1976 and thereafter at 469.5 shares per $1,000, subject to change in accordance with the anti-dilution provisions of the trust deed.

9. Share capital

Common shares
Authorized 3,500,000 shares.
Outstanding 2,978,212 shares.
The company may be required to issue 67,000 common shares on conversion of debentures outstanding at October 31, 1975 and 300 common shares pursuant to the Incentive Stock Option Plan. These shares have been reserved. No shares were issued during the five months ended October 31, 1975. 46,450 shares were issued for a total cash consideration of $62,890 under employee stock options during the year ended May 31, 1975.

Preference shares
Authorized 270,608, 6% non-cumulative first preference shares with a par value of $2.35 each, redeemable at $2.45 per share.
Outstanding 8,670 shares.
No preference shares were issued during the five months ended October 31, 1975 and the year ended May 31, 1975.

10. Earnings per common share

Earnings per common share are based on the weighted average number of common shares outstanding during the period. Fully diluted earnings per common share are not presented as the assumed conversion of debentures and exercise of options under the Incentive Stock Option Plan have no material dilutive effect.

11. Working capital

Working capital has been provided (used) by operations as follows:

	Five months ended October 31, 1975	Year ended May 31, 1975
Net earnings (loss) for the period	**$ (78,607)**	151,270
Depreciation and amortization	**84,748**	544,300
Deferred income taxes (reduction)	**(96,000)**	197,700

Aerial photograph of new parking lot which has increased total capacity to 1,000 cars.

	Five months ended October 31, 1975	Year ended May 31, 1975
(Gain) loss on disposal of equipment	(8,427)	5,544
Share of loss (earnings) of investee	(9,888)	93
	$(108,174)	898,907

12. Lease obligations

Annual lease obligations for office premises, parking lots, and equipment for the five months ended October 31, 1975 and year ended May 31, 1975 were $36,270 and $56,070 respectively.

Annual amounts payable on leases existing at October 31, 1975 are as follows: 1976—$81,500; 1977—$77,560; 1978—$70,735; 1979—$44,415 and 1980-85—$23,575.

13. Contingent liability

A portion of a bank loan of the investee, in the amount of $197,400 is guaranteed by the company.

14. Remuneration of directors

The aggregate remuneration paid by the company to directors and senior officers for the five months ended October 31, 1975 amounted to $76,239 ($194,023—for the year ended May 31, 1975) including $1,100 ($1,600—May 31, 1975) paid to directors in their capacity as directors.

15. Anti-Inflation Act

The company is subject to the Anti-Inflation Act which may affect the company's ability to exercise control over its future revenues, wages and dividends.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Grouse Mountain Resorts Ltd. and subsidiaries as of October 31, 1975 and the consolidated statements of earnings and retained earnings and changes in financial position for the five months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at October 31, 1975 and the results of their operations and the changes in their financial position for the five months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

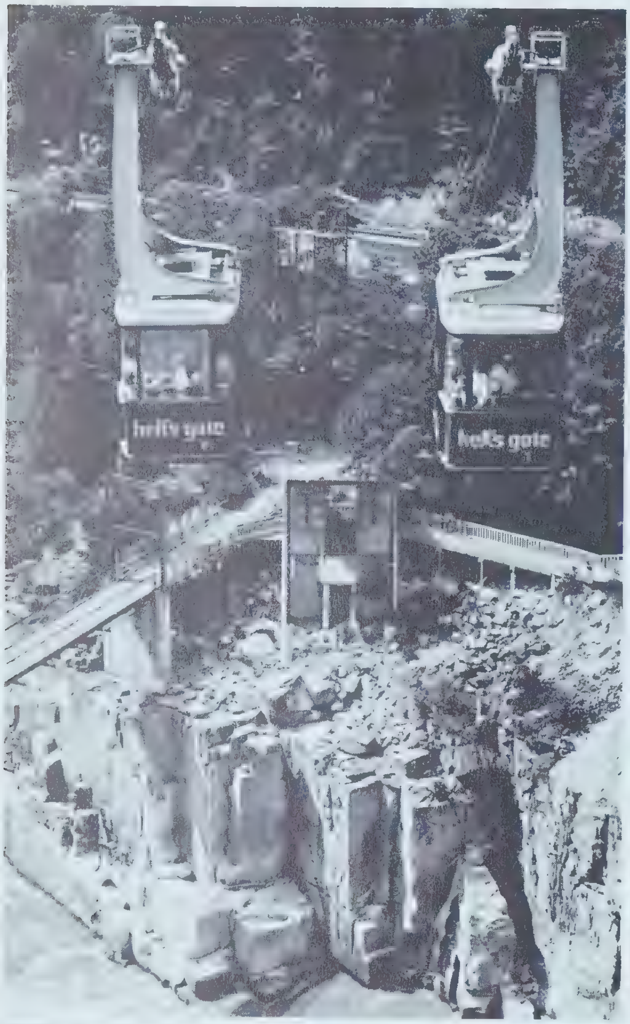
Vancouver, British Columbia
March 3, 1976

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

*Aerial photograph of new upper terminal located adjacent to existing Chalet building.

Grouse Mountain employee adjusting sprinkler system to aid growth of newly seeded ski runs.

Affiliates: (Clockwise, from top left):
Hell's Gate Airtram in Fraser Canyon, B.C.
Pacific Undersea Gardens, Victoria, B.C.
Royal Pacific Wax Museum,
Newport, Oregon.
Oregon Undersea Gardens, Newport, Oregon.



Corporate Officers
ANDREW E. SAXTON, Chairman of the Board
JOHN E. HOEGG, President
F. STUART LANG, Secretary

Corporate Directors
JOHN W. DUNFIELD, Vancouver, President, Western Peat Moss Ltd.
J. TREVOR EYTON, Toronto, Partner, Tory, Tory, DesLauriers & Binnington
JOHN C. GILMER, Vancouver, President, Canadian Pacific Airlines Ltd.
ORMONDE J. HALL, Vancouver, Partner, Sutton Braidwood
JOHN E. HOEGG, Vancouver, President of the Company
EDWARD A. KIRK, Mississauga, Vice-President Finance, S. B. McLaughlin Associates Limited
S. BRUCE McLAUGHLIN, Mississauga, President, S. B. McLaughlin Associates Limited
ANDREW E. SAXTON, Vancouver, Chairman of the Board of the Company
GEORGE D. SHERWOOD, Vancouver, President, Odlum Brown & T. B. Read Ltd.

Grouse Mountain Operations
JOHN B. STOKES, Vice-President and General Manager
MICHAEL J. EXLEY, Director of Restaurant Operations
GARY R. KIEFER, Director of Mountain Operations
ROBERT A. JOHNSTON, Controller
ANTHONY G. GOODSON, Executive Assistant to the Vice-President
ELIZABETH PETERSEN, Marketing Co-ordinator

Undersea Gardens Operations
ROBERT WRIGHT, Senior Operating Officer
LESLIE WOOD, Victoria Manager
JACK NIELSEN, Newport Manager

Canyon Aerial Tramways
CHARLES N. W. WOODWARD, Chairman of the Board
ANDREW F. B. MILLIGAN, President

Auditors
Peat, Marwick, Mitchell & Co.

Banks
Bank of British Columbia
The Royal Bank of Canada
Toronto-Dominion Bank
Bank of Newport

Solicitors
Alexander, Guest, Wolfe, Holburn & Beaudin

Transfer Agent and Registrar
Yorkshire and Canadian Trust Limited

Trustees
National Trust Company, Limited

Offices
EXECUTIVE OFFICE: 2630 Royal Centre, 1055 W. Georgia Street, Vancouver, B.C.
Telephone 683-2293

SKYRIDE AND ADMINISTRATION: 5100 Capilano Road, North Vancouver, B.C.
Telephone 984-0661

*Photo courtesy Peter Hulbert, Vancouver Province

AR32

A SPECIAL FEATURE REPORT

how they made a grouse flush

As Reprinted from SKI AREA MANAGEMENT Summer 1970

how they made a grouse flush

There have been many success stories in the ski area business in North America, but few can match the rags-to-riches turnaround of Grouse Mountain Resorts Ltd.

In 1966, Grouse verged on bankruptcy. Three years later, it showed a pre-tax profit of $209,000 for the 1968-69 season. Last winter, despite the lowest snowfall ever recorded, 50 per cent below the previous low, the area was still in the black. And none of the management team had any knowledge of or experience in the ski industry before coming to Grouse.

Research by
Ronald L. Krenzel
Ski Industry Seminars
Boulder, Colo.

Story by
Jeffrey Garlick, editor

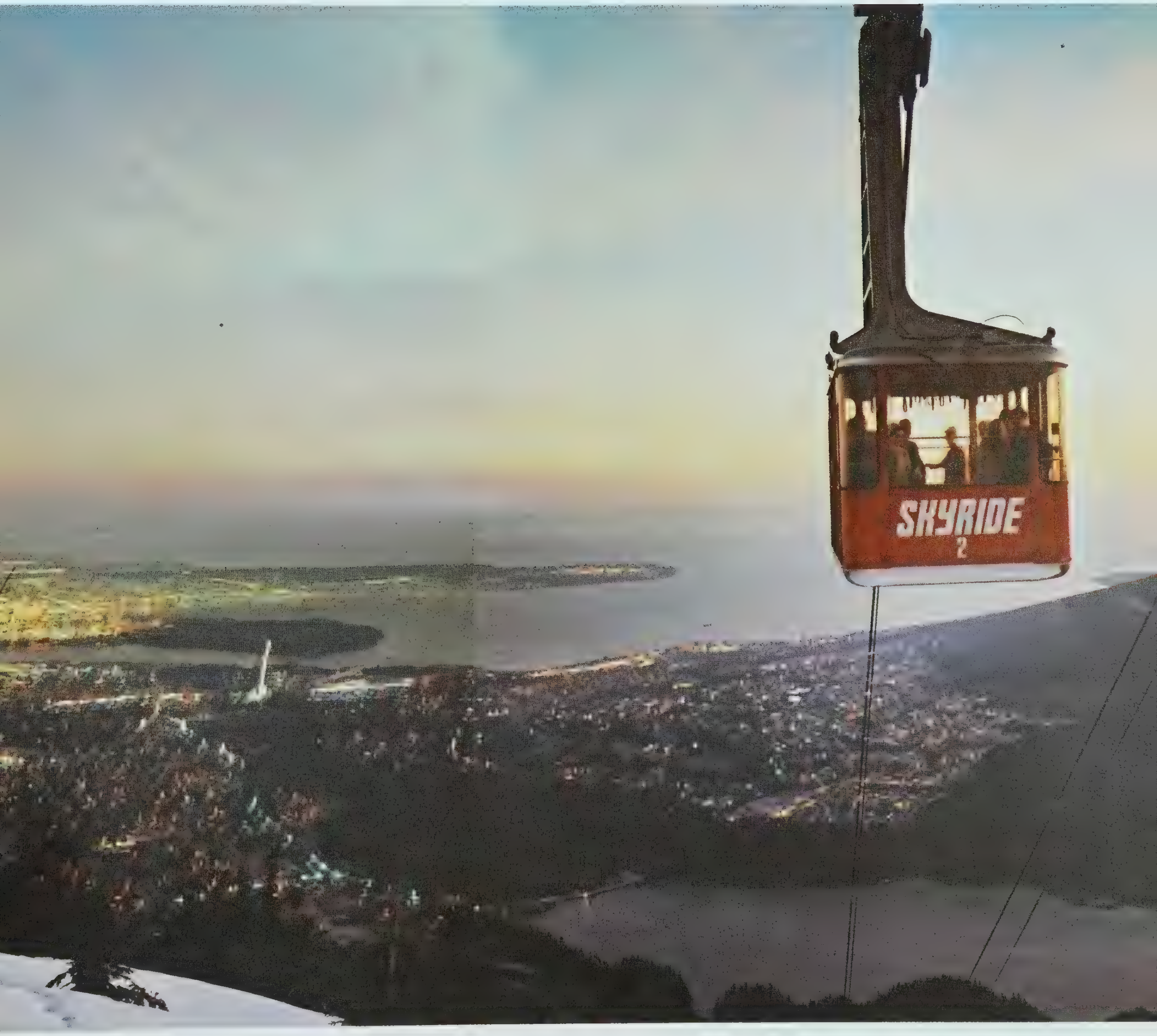
During this recovery period, the Grouse company raised $875,000 from the public with a debenture issue, redeemed $238,000 of the debentures for $12,000 cash and the rest in common stock, and floated a $1,000,000 common stock issue with five institutional investors.

In three years, Grouse changed its image from an old, poorly run area to one of a modern, thriving resort development. A ski school started from scratch has grown to be western Canada's largest, membership in a local ski club was boosted from 80 to 700 in a year, and a World Cup race was hosted last winter. The area spent over $1,000,000 to increase its skiing acreage sevenfold, boosting season pass sales from 108 to 2,623.

Now Grouse has embarked on the acquisition trail, picking up Pacific Undersea Gardens Ltd. in a share exchange. The firm operates a series of seaquariums in British Columbia, Oregon and California.

Grouse Mountain itself is 4,240 feet high and just minutes from downtown Vancouver, a city of 1,000,000 people. Grouse Mountain Resorts operates ski facilities

A SPECIAL FEATURE REPORT



Grouse directors decided to hire a professional manager and quickly found out they were on the verge of bankruptcy—again. Bad business, poor budgeting and runaway costs were the culprits.

at the 3,700-foot level with access to this ski area by the Skyride, a mile-long aerial tramway built by Voest Ropeways, an Austrian firm.

When the current owners bought Grouse in 1964, facilities consisted of 1,200 acres atop the mountain, some rundown lifts, a chairlift, several rope tows and a T-bar. There was a chalet, built in 1962 to replace the original one that had burned to the ground and leases on the chairlift and land that gave access to the upper ski area.

Since then, Grouse has acquired these access facilities and improved them substantially with an aerial tramway. The area now operates 11 lifts with night skiing on all major runs. The bottom parking lot accommodates 900 cars and is completely paved. The lower tram terminal contains administration offices, a ski school and coffee shop, while the upper terminal has a coffee shop, restaurant and lounge, an apres-ski bar called The Rock, and curio and ski shops. The aerial tram attracts heavy tourist traffic during the summer, enabling the restaurants to gross around $800,000 annually, of which Grouse gets 10 per cent.

Many attempts had been made to turn Grouse into a recreational area but the record shows three bankruptcies since the early 1900s. In 1911, for example, work started on an incline railroad to the top of the mountain, but the project was interrupted by World War I and never completed.

In the 1920s, a local industrialist named Shelly built a beautiful log chalet at the top of the mountain and paved a road up the backside so customers could enjoy his facility all year. The road cost nearly $1,000,000, but the scheme was never successful. The onset of the depression combined with inadequate snow removal equipment to keep the road clear in winter created Grouse's second bankruptcy. The land then reverted to the District of North Vancouver to pay back taxes. It was subsequently purchased by Marwell Construction Co. in 1945 and then the Sun Publishing Co. in 1949.

Under Sun Publishing, in 1949, Canada's first chairlift was built to give access to about 100 cabins scattered across the mountainside. An upper chair was opened a year later for skiing, and by 1952, Grouse had expanded to the point where it was selected to host the Canadian ski championships.

During the 1950s and 1960s, under manager Al Beaton, the area experienced marginal growth, losing money every year and following the classic summer-winter seasonal operating schedule.

In this 20-year period, there were no less than five companies operating on the mountain and this created some interesting conflicts. Grouse Mountain Resorts owned only the top of the mountain and the top lift. The bottom half was owned by another company and the area under the lower lift belonged to Ski Village, who leased it to Lifts Ltd. Gwynne Lewis, still an area employee today, operated a restaurant between the upper and lower chairlifts, but another company ran the eatery at the bottom of the lower chair, this chair being managed by Lewis.

The whole development was confusing, to say the least. The owners of the lower lifts wanted to charge high rates, but Grouse Mountain Resorts, owners of the ski facilities and lodge at the top, wanted the rates low. Lewis was mainly interested in getting people to midway to eat his hamburgers, but he also managed the lower chairlift and so was less interested in how much money the upper chair made.

When Sun Publishing was taken over by Canadian publishing czar, Max Bell, Lewis decided to chop all non-publishing interests and Grouse was sold to a group of Vancouver businessmen. They felt the area included some valuable real estate and had potential for rapid growth in the recreation field if it was run as a company. Beaton, the Grouse manager, had approached the prospective owners, envisioning the day when Grouse would be a major resort in the Vancouver area. He felt all that was needed was a strong company that could provide financial backing.

When the company was reorganized in 1965, it was decided to build the aerial tram to improve the access to Grouse and attract more visitors. The jigback's two cars each carry 60 passengers for a capacity of 600 per hour. Travel time, including loading and unloading, is 4½ minutes. The cable length is 5,400 ft. and vertical rise is 2,624 ft.

Beaton was hired by the new owners to oversee construction of the new tram and manage the area. The new development presented many difficult problems, and the tasks he was trying to accomplish were too demanding for one person. Overruns on the construction costs were common and in 1966 the Grouse board decided they needed a professional manager.

John E. Hoegg, a Canadian engineer with an MBA from Stanford University, was hired as president. He had been a second vice president of administration for Laurentide Financial Corp., a world-wide concern with assets of $400,000,000. Hoegg seemed to have everything a businessman could want and all the comforts of executive row, but he wanted to live and die by his own decisions and felt the corporation he worked for was simply too large. While with Laurentide, Hoegg was manager of a subsidiary insurance company that was losing $200,000-$300,000 annually and two years later he netted a $300,000 profit.

Two Grouse board members, who were also connected with Laurentide, heard Hoegg was restless and didn't want to lose him. In an interview Hoegg warned he knew nothing about the ski business and was told that that was the best place to start.

Hoegg soon discovered Grouse was a financial disaster area and couldn't even meet its bills. He wrote a letter to the board spelling out deep, deep trouble and the prospect of a fourth bankruptcy.

Grouse Mountain was facing a cash crisis—$213,800 in bills due that month with no money in the bank. Another $78,000 would be needed the following month, but only half could be generated by internal cash flow.

"How did such a dilemma develop?" wrote Hoegg. "Three main reasons stand out—low passenger count, unrealistic expense budgeting and overrun on capital development costs.

"The most recent operating budgets were prepared for February 28, 1966 to May 31, 1967. By October 31, 1966, it was anticipated that (for eight months) the Skyride would have carried 124,000 passengers. The actual total was 98,680. The shortage of 25,320 cost the company about $56,000.

"During the same eight-month period, it was predicted that the financial performance of the company would approximately break even. The actual results showed a loss of $130,000 of which $27,000 represented one-time financing expenses. The balance resulted from the $56,000 income shortage and excessive operating

GROUSE MOUNTAIN RESORTS LTD.
Balance sheet at May 31, 1966-69

	1966	1967	1968	1969
ASSETS				
Current				
Cash on hand and in bank	823,088	36,813	27,191	59,629
Short-term deposits	—	90,000	—	—
Accounts receivable	5,676	20,762	18,539	30,681
Inventory of supplies	8,995	2,579	12,973	10,774
Prepaid expenses	8,758	—	—	6,018
	846,517	150,154	58,703	107,102
Fixed				
Buildings, tramway and lifts	1,902,878	2,639,524	2,988,878	3,389,798
Less depreciation	38,296	185,225	358,617	679,971
	1,864,582	2,454,299	2,630,261	2,709,827
Land and improvements, at cost	269,118	319,407	330,437	401,652
	2,133,700	2,773,706	2,960,698	3,111,479
Unamortized debenture discount	48,125	45,819	43,413	33,359
	3,028,342	2,969,679	3,062,814	3,251,940
LIABILITIES				
Current				
Accounts payable	116,775	131,328	87,496	103,326
Construction accounts payable	273,178	—	—	—
Amount payable on long-term debt within one year	100,000	50,000	143,390	152,085
	489,953	181,328	230,886	255,411
Long-term				
Bank loan, authorized $800,000, secured by assets	700,000	600,000	500,000	440,000
Debentures	875,000	875,000	871,000	704,000
Term contracts	—	—	144,233	86,081
Loan from shareholder	* * —	—	40,000	—
	2,064,953	1,475,000	1,555,233	1,485,492
SHAREHOLDERS' EQUITY				
Share capital outstanding				
6% preference shares	725,500	725,500	725,500	667,171
7% preference shares	—	479,828	474,753	—
Common shares	285,100	292,804	303,382	1,111,191
	1,010,600	1,498,132	1,503,635	1,778,362
Contributed surplus				
Premium on 6% preference shares issued in payment for chairlift	—	—	—	5,238
Deficit	47,211	184,781	226,940	17,152
	963,389	1,313,351	1,276,695	1,766,448
	3,028,342	2,969,679	3,062,814	3,251,940

GROUSE MOUNTAIN RESORTS LTD.
Profit/loss statement, years ending May 31, 1966-1969

	1966	1967	1968	1969
Revenue from operations	400,805	564,448	697,461	1,085,399
Operating, general & administrative expenses				
Salaries, wages & employee benefits	125,774	177,552	216,552	290,865
Interest	24,553	109,607	111,060	111,446
Operating supplies & services	124,146	—	—	—
Advertising & business promotion	30,315	61,585	58,599	64,817
Taxes & insurance	27,979	36,947	36,819	48,228
Maintenance	15,017	43,099	56,514	49,814
Rental—Lower lift	16,000	—	—	—
Fuel & light	9,191	43,177	35,678	43,778
Legal & audit fees	8,042	23,149	11,960	26,250
Administration	—	43,802	31,122	42,350
Miscellaneous	19,528	9,304	4,345	9,269
(Gain) loss on disposal of fixed assets	—	6,414	2,222	(1,639)
	400,545	554,636	564,871	685,178
Profit before following deductions	260	9,812	132,590	410,221
Depreciation	38,296	147,382	174,749	190,433
Financing expenses	27,044	—	—	—
Net profit (loss) before taxes	(65,080)	(137,570)	(42,159)	209,788

Grouse Mt. president John Hoegg.

A key to president John Hoegg's success in rescuing Grouse from the brink of bankruptcy is the strong, loyal management team he has built around him.

Ken O'Neill, operations manager, was on a world cruise when he hit Vancouver, last stop before Australia and home where he owned an engineering firm. He picked up a Vancouver newspaper where he saw an item about the aerial tram project at Grouse.

Being an engineer and naturally curious, O'Neill headed for the mountain and, before he knew it, was hired as a part-time tram conductor. At this point, the Australian erection engineer had returned to Europe, no one had any knowledge about how to run the tram, how it was put together or how to fix it. O'Neill realized the machinery was in terrible condition, but the tram had potential and the other equipment could be rebuilt.

O'Neill decided to work full-time at Grouse and was promoted to tramway supervisor, taking charge of all the mountain's mechanical problems. When Hoegg came along, O'Neill took over the entire mountain as operations manager.

Harvey Ouellette had worked directly under Hoegg at Laurentide Financial Corp. Six months after Hoegg left Laurentide for Grouse, Harvey contacted him for a job, having become disenchanted with large companies and looking for a challenge. He had no experience in the ski business, but Hoegg hired him as chief accountant.

Ouellette found the office and the accounting system in a confused state. It was strictly management by crises and it took time to restore management faith in the accounting department.

Responsibilities for Ouellette include running the area office, accounting, supervising the office staff, ticket sales and general administration. He also handles personnel relations and statistics — tickets sold, weather and temperature that day. In fact, says Ouellette, his responsibilities have expanded to the point where he has to do the accounting at home at night.

Liz Byrd went through five interviews before Hoegg hired her as head of advertising and promotion. Grouse has an ad agency, but it concentrates mainly on advertising related to Skyride promotions with the B.C. government tourist department.

But the Grouse PR department has handled some big projects, including a movie about Vancouver, with the Skyride as a focal point. Byrd also handles ads for the ski school, Skyride and restaurants and works the fall consumer ski shows,

Grouse's PR and ad campaigns have two distinct segments. The family or tourist group campaign is carried on May to September, primarily to encourage people to ride the Skyride and familiarize themselves with Grouse and the tram. The ski segment is the focal point for advertising from December through May.

Considering the size of the market she has to cover, Byrd's budget is small — $50,000 for advertising and $10,000 for business promotion in 1969, to cover a year-round resort business.

One difficulty Byrd finds is making the mountain live up to its advertising. Service and food quality are not always outstanding in the Grouse Nest restaurant, which is managed under a long-term lease. Also it is difficult to make sure all staff members handle the public in a manner that will reflect the Grouse image created in advertising.

This four-member team—Hoegg, O'Neill, Ouellette and Byrd — with no ski industry experience, has turned Grouse into a professionally-managed company making a substantial profit and primed for future expansion.

Ken O'Neill, operations manager, from Australia.

Harvey Ouellette (above) office manager, and Liz Byrd, public relations.

expenses totalling $47,000."

The board decided on an attempt to raise more equity through an unusual rights offering—three $1, 7% redeemable, convertible, non-cumulative, voting, second preference shares for each share now held. The issue was a preferred one because Grouse intended to redeem it later and it is illegal to redeem your own common in Canada. About 60 per cent of the shares were held by the directors and they were willing to invest more money in the area. But at the same time, they wanted to offer the small investor a chance to recoup his loss.

Hoegg went to the shareholders and told them Grouse was broke. A firm in which they had invested $7.50 a share was overspent, and their shares were now trading at around $4 on the Vancouver Stock Exchange. He promised if they would buy the issue, he would commit himself to seeing they recovered their investment.

Shareholders faced a tough decision. They could exercise their rights and increase their investment by $3 to $10.50 or, because the number of shares outstanding would be increased threefold by the issue, watch the market value of their shares drop to about ⅓ the current $4.

Grouse was banking on raising $500,000 with the issue and the shareholders bought it, tossing in about $490,000. Even with this, Grouse could only pay off the mistakes it had already made and start out as a fresh corporation. There were no funds for new chairlifts or lodges.

Within 18 months, Hoegg had fulfilled his commitment to shareholders. Grouse's performance shoved the share price from around $1.10 to $2.62 on the exchange, which meant if investors wanted to recover their initial investment, they could by selling their shares ($10.50 divided by four shares, around $2.62). The smart ones rode the stock to a high of $4.60. Since then, stock market ills and lower earnings last winter have pushed it back to around $2.

Hoegg's basic business objective in his first year at Grouse was survival. The second year, he aimed to break even and wound up with a $42,000 loss when he had to shut down the aerial tram for two months, costing him $100,000 in revenue. The main track rope was wavy and cracks developed in the hangers. It was either replace the rope or operate at reduced speed and capacity. The third year, Hoegg budgeted a $100,000 profit and made $200,000.

During these three years, Grouse had spent around $1,000,000 adding lifts, lighting and trails. In the summer of '68, $500,000 was spent to open Blueberry Bowl on the backside of the mountain, a move that increased skiing acreage seven times. Then, the following year, a three-year expansion program was compressed into one in a bid to host a World Cup race. Two lifts were built, one to the peak and another up the front of the mountain near the old, original lift. The $150,000 peak chair was paid for with 57,000 preferred Grouse shares, a tribute to the strength of the company's stock.

Grouse also made extensive investment in slope preparation and grooming equipment, an unusual move for a Pacific Northwest area, where the ploy is to let the snow fall where it may. Hundreds of thousands of dollars were spent removing stumps from trails and purchasing grooming equipment.

To promote these improvements, Hoegg has put a lot of emphasis on advertising and public relations, increasing skier traffic by about 85 per cent a year for the 1967-68 and 1968-69 seasons. In January, 1967, for instance, 15,000 people travelled to the top of Grouse against 50,000 in January '69. In three years, season lift pass sales jumped from 108 to 2,623 ($150 for adult, $300 for family). Hoegg looks on this as a real vote of confidence.

Grouse convinced a group of eastern institutional investors to put money into the area, over $1 million. The company also redeemed nearly a quarter of a million dollars worth of debentures for common stock, saving interest expense of about $17,000 a year.

"A pass buyer is saying that your area has enough good days, enough variety in terrain and the kind of skiing he likes. He becomes involved with your corporation and you, as an area operator, must strive to satisfy him."

Grouse has made strenuous efforts to facelift its image. It was looked on as an old-style, poorly-run hill for a skier who had to go skiing in a hurry. So Grouse began promoting night skiing with new lights all the way to the top and pursuing a racing program, which culminated in hosting a World Cup meet last winter. "Races do not bring in money, but they do bring image. A mountain with the capability for an international race can be elevated from a mediocre position to one of international reputation," says Hoegg.

To stimulate local interest in the area, Grouse approached the local ski club that had had 80 members for the last eight years. By offering club members a 10 per cent discount on season passes and underwriting the cost of a racing coach, Grouse boosted membership in a year to 700.

Another objective in the Hoegg program was to simplify the equity structure on the balance sheet into common stock and debt. So in May 1969, Grouse offered to redeem $100,000 worth of 7% convertible debentures. The shareholder response was overwhelming and the company ended up converting $238,000 worth into common stock and paying cash for $12,000 worth. So for an out-of-pocket $12,000, Grouse had reduced its debenture debt from $875,000 to $637,000, effecting a substantial savings of about $17,000 in interest expense.

Hoegg places great emphasis on the fact that Grouse is the only ski area in North America traded openly on a stock exchange. "Anyone who holds Grouse stock, unlike many speculative resort developments, can turn it into cash immediately by calling his broker."

Grouse's biggest day in the financial world was when a private placement of $300,000 shares of common stock was made with a syndicate of five eastern institutional investors at $3.75 per share—the stock was trading around $4 at the time. "A securities firm studied our business, then organized a meeting of investors from several large eastern companies and mutual funds. For two days, in their offices, they fired penetrating questions and received forthright answers. When it was all over, the issue was oversubscribed," says Hoegg.

Grouse management has had to be quite creative in setting wage scales so they are competitive with Vancouver labor rates but in line with ski area competitors in the region. A survey of companies operating trams in North America showed Grouse was the highest paying but this was still not good enough to compete with Vancouver wage scales. The solution was two wage scales—a summer one comparable to that of the city and a winter rate at the top of the ski area industry. As a result, some employees will have to take pay cuts when they move from summer to winter.

"The resort industry and the ski industry throughout North America have been historically low paying," says Hoegg. "Grouse is trying to straddle the fence." The basic pay scale starts at $2 an hour for laborers while supervisory scales run from $600 to $850 a month.

skier traffic for the first six weeks of business is comparable to the ideal 1969-70 season. On the night of January 14th, 1388 skiers visited the mountain breaking our previous record by over fifty percent.

Favourable summer traffic on the Skyride was followed by a satisfactory autumn with the result that the six month passenger total of 138,049 exceeded last year's figure by eight percent. The division's financial performance saw a sixteen percent increase in gross revenue and an elimination of the $17,000 loss reported for the same six month period last year.

Construction activity in Pacific Undersea Gardens was concentrated in Crescent City, California, where technical complications in the harbour area frustrated attempts to open this unit in time for the summer tourist season. Failure to realize any gross revenue during this prime income period in effect places this garden in a loss position for the year, significantly diminishing the earnings realized in Victoria, Newport and Santa Barbara, as well as for the overall consolidated corporation.

Engineering studies are continuing for the proposed site in San Juan, Puerto Rico and initial contacts have been established for franchise operations in other areas throughout the world. There are early

encouraging signs of improved earnings at all undersea gardens in the spring and summer ahead.

As may be noted in the consolidated summary of source and application of funds, your company has experienced an increase of $798,738 in working capital during the first six months while investing $438,750 in the capital projects mentioned above. This surplus cash is presently committed to high-yield debt securities pending its application to future projects in the leisure-time field, thus providing the firm with a sound financial base for future growth.

As a closing note, skier-shareholders will be pleased to learn that your company hosted a special reception for Jean Claude Killy on October 13 and this world renowned skier will be returning to ski Grouse Mountain on February 10 as part of the advance publicity for the duMaurier International which will be held on February 27, 28 and March 1.

John E. Hoegg,
President.

interim report

FOR THE SIX MONTHS ENDED NOVEMBER 30, 1969

GROUSE MOUNTAIN RESORTS LTD.

The first six months of the 1970 fiscal year constituted a period of major construction and development in both Grouse Mountain Resorts and Pacific Undersea Gardens.

Encouraging public response since expanded lift and slope facilities were opened in Blueberry Bowl two years ago, together with the selection of Grouse Mountain as the site of the duMaurier International, Canada's 1970 World Cup event, prompted a decision to accelerate the capital expenditure program and introduce this year the following additional facilities:

(a) Double chairlift to the peak of Grouse Mountain.
(b) First stage of a double T-bar along the east side of the "Cut" ski run.
(c) Wide-arc lamps from the peak to the bottom of the "Cut".
(d) Purchase of two snow-grooming vehicles.
(e) Redecoration of the chalet to become the "Outpost" discotheque and restaurant.
(f) New public washrooms in the peak lift terminal building.

All the above facilities are now in operation and have generated enthusiastic skier reaction, particularly for the runs off the peak. The new 'Metalarc' lighting creates perhaps the finest night skiing opportunity in North America. In spite of a marginal snow base and a late season start, total

GROUSE MOUNTAIN RESORTS LTD.

Consolidated Statement of Revenue and Expense

	1969	1968
Gross Revenue	$ 814,079	$881,603
Operating expenses	531,362	530,318
Earnings before undernoted items	$ 282,717	351,285
Depreciation and amortization	153,556	128,509
Interest on borrowed funds	60,760	68,108
Minority interest in subsidiary	8,948	10,339
	$ 223,264	$206,956
Earnings before income taxes and extraordinary item	59,453	144,329
Current and deferred income taxes	34,013	60,625
Earnings before extraordinary item	25,440	83,704
Income tax reduction from loss carry forward	—	475
Net earnings for the period	$ 25,440	$ 84,179

Consolidated Summary of Source and Application of Working Capital

	1969	1968
SOURCE:		
Net earnings for the period	$ 25,440	$ 84,179
Add—		
Depreciation and other non-cash items	165,427	145,528
Working capital derived from operations	190,867	229,707
Proceeds from issue of shares	1,097,494	—
Proceeds from long-term debt	—	100,000
Other	3,832	—
	$1,292,193	$329,707
APPLICATION:		
Capital development expenditures and fixed assets acquired through acquisitions (net of financing through shares and long-term debt)	438,750	116,275
Payment of and current provision for long-term debt	54,705	72,364
Dividends paid to minority shareholders of subsidiary	—	14,890
	493,455	203,529
Increase in working capital	$ 798,738	$126,178

Prepared without audit.

150,861. Of this total, some 6,677 were actually skiers who benefitted from a November 6th start to the ski season, the earliest in the company's history.

Early snow has remained on the mountain, and steadily increasing depths permitted expansion to full operation the first week of December, leading to a traffic month exceeding all expectations. Last December's recorded total of 54,663, itself doubled the previous December record, was surpassed by 23 percent as 67,032 persons visited Grouse Mountain during the month. Crisp, clear periods during the Christmas Holidays saw the single day record exceeded on December 26 and again on December 27. The return from this daily business, and from the exceptional season's pass sales currently being realized suggest that most encouraging financial results will be reported to you in the next quarterly report.

The major capital project effected for the 1971-72 ski season involved the installation of lights in Blueberry Bowl, which now permits the mountain's four main areas (i.e. Paradise, Cut, Peak and Blueberry) to be utilized at all hours from early morning to midnight. Other improvements included the creation of a new apres-ski restaurant known as the "Loft" and expansion of the ski shop facilities. A new area has been decorated for Grouse Nest diners and top floor washrooms installed for the added convenience of these customers. All five mountain restaurants operated by your company (i.e. Grouse Nest, Alpine Cafeteria, Rock Room, Outpost and Village Inn) were fully booked New Year's Eve.

AR32

The satisfactory performance for each of the undersea garden units, mentioned in the first quarter report to shareholders, maintained itself during the fall months. Both Newport, Oregon and Crescent City, California are operating close to budget, whereas Victoria is ahead of expectations, with revenue up 20 percent over the same period last year, the combined operation contributing to the noted improvement of Grouse Mountain Resorts consolidated earnings.

Canyon Aerial Tramways completed its operating schedule on October 30 and the Hell's Gate Airtram is now closed for the winter season to permit desired improvements to the terminal and exhibit areas and to lay plans for effective early promotion of this exciting attraction in order to benefit from the full 1972 visitor season.

On behalf of the Board of Directors,

John E. Hoegg,
President

interim report

FOR THE SIX MONTHS ENDED NOVEMBER 30, 1971

Corp report

GROUSE MOUNTAIN RESORTS LTD.

This six month report covers the period June 1 to November 30, 1971, essentially the non-skiing months on Grouse Mountain and a time when the other activities (i.e. Pacific Undersea Gardens, Restaurant and Souvenir Division, etc.) achieve their most significant contribution to the consolidated operations of the company.

As may be noted in the Consolidated Statement of Revenue and Expenses, encouraging operating results have been realized by the company. Gross income has accelerated from $894,209 to $1,401,321; cash flow has advanced from $195,895 to $290,379; and net income after taxes has more than tripled, from $27,856 to $97,452.

As mentioned in the first quarter report to shareholders, the main contributor to this material advance in total business activitiy is the inclusion of operating results for the new Restaurant and Souvenir Division for the full 1971 period under consideration, but for only one month last year as a result of the November 1, 1970 merger date. Particular attention has been paid the division this past summer and fall, with funds directed towards special sales and marketing programs geared to the expansion of banquet and group business for Grouse Mountain. Immediate and continuing benefit has been realized with contribution to consolidated earnings exceeding budget expectation, a trend that is continuing into the winter months.

Visitors to Grouse Mountain totalled 174,700 for the first six months, a 16 percent improvement over last year's total of

GROUSE MOUNTAIN RESORTS LTD.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES

For the 6 Months Ended November 30, 1971

	1971	1970
Gross Income	$1,401,321	$ 894,209
Operating Expenses	1,039,155	646,103
Income Before Undernoted Items	$ 362,166	$ 248,106
Depreciation and Amorization	182,226	156,410
Interest on Borrowed Funds	48,755	44,052
Minority Interest in Subsidiary Profits	9,853	10,831
	$ 240,834	$ 211,293
Income Before Taxes and Extraordinary Item	121,332	36,813
Current and Deferred Income Taxes	63,123	24,035
Income Before Extraordinary Item	$ 58,209	$ 12,778
Income Tax Reduction from Loss Carry Forward	39,243	
Recovery of Prior Year's Income Taxes		15,078
Net Income for the Period	$ 97,452	$ 27,856

CONSOLIDATED SUMMARY OF SOURCE AND APPLICATION OF WORKING CAPITAL

	1971	1970
Source:		
Operations:		
Net Income for the Period	$ 97,452	$ 27,856
Add Depreciation and Other Non-Cash Charges	192,927	168,039
	$ 290,379	$ 195,895
Recovery of Prior Year's Tax Provision	1,236	
Unearned Income — Season's Pass Sales	228,283	122,111
Increase in Term Loans		300,000
Proceeds from Issue of Common Shares	3,750	10,000
	$ 523,648	$ 628,006
Application:		
Addition to Fixed Assets	218,845	75,419
Investment in Canyon Aerial Tramways Ltd.		
Common Shares	29,545	
Debenture	63,770	
Payment of and Current Provision for Long Term Debt	5,483	16,012
Redemption of 203,681 Preference Shares		314,688
	$ 317,643	$ 406,119
Increase in Working Capital During the Period	$ 206,005	$ 221,887

Prepared without audit.

popular "Cut" ski run, removal of congested areas in Blueberry Bowl and improvement in the loading and unloading terminals for all ski lifts. Immediate benefit was realized in that the ski season opened early on November 30th. All facilities were in operation shortly thereafter, well in advance of the heavy Christmas season. The initial snow base has been maintained, creating a December attendance total double that of the record for the month established in December 1968, and providing indication of further growth during the balance of the season.

While total season's pass sales will be reported to you in the nine month quarterly report, it is encouraging to note that, in spite of last year's unsatisfactory ski season, pass sales by the end of December had exceeded the 4,000 mark, an increase of 50% over last year. Introduction of the new youth pass has accounted for 25% of the sales and, at the same time, utilization of alternate skiing hours for this group, has served to alleviate the traffic pressure on the lift system.

The improved performance of each of the undersea gardens, mentioned in the first quarter report to shareholders, continued throughout the fall period, supporting the trend of increased earnings for the consolidated corporation anticipated for the 1971 fiscal year.

Attached to this report is a press release describing your company's decision to participate as a major shareholder in the interesting Hell's Gate Aerial Tramway project in the Fraser Canyon, the benefits from which should accrue this summer with the commencement of the 1971 tourist season.

John E. Hoegg,
President.

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interim report

FOR THE SIX MONTHS ENDED NOVEMBER 30, 1970

GROUSE MOUNTAIN RESORTS LTD.

The second quarter of Grouse Mountain Resorts 1971 fiscal year saw two developments that will have major impact on the long range earnings of the company.

Firstly, as mentioned in the first quarter interim report, during the month of October a general offer was made (at 20% above the then prevailing market price) to purchase for redemption all the outstanding 6% first preference shares of Grouse Mountain Resorts Ltd.

The $1.55 offer, accepted by holders of 203,681 (69%) of the outstanding preferred shares, has the effect of removing the potential dilution through possible conversion of these shares into common stock. Also, as the shares were acquired at a discount below par value, the transaction produced income of $163,963 (or 12 cents per common share) during this quarter.

Secondly, negotiations throughout the year concluded with a successful November 1st agreement with our restaurant managers, Top of Grouse Restaurants Ltd. merging this operation into Grouse Mountain Resorts Ltd. such that it becomes a direct operating division of your company. Thus, for the first time, gross sales, expenses and earnings of our food and beverage business will be reflected in the consolidated financial statements of Grouse Mountain Resorts Ltd. While this change is at this moment minimal (covering only the month of November), the long range benefit to the company's financial results will be significant, permitting, as it does, the opportunity to "package" and promote the total complex of services available to the public on Grouse Mountain.

Capital development work during the second quarter was highlighted by the major effort directed to the widening and grooming of the

GROUSE MOUNTAIN RESORTS LTD.

Consolidated Statement of Income and Expense

	1970	1969
Gross Income	$ 894,209	$ 814,079
Operating Expenses	646,103	531,362
Income before undernoted items	$ 248,106	$ 282,717
Depreciation and amortization	$ 156,410	$ 153,556
Interest on borrowed funds	44,052	60,760
Minority interest in subsidiary profits	10,831	8,948
	$ 211,293	$ 223,264
Income before taxes and extraordinary items	$ 36,813	$ 59,453
Current and deferred income taxes	24,035	34,013
	$ 12,778	$ 25,440
Recovery of Prior Years income taxes	15,078	—
Gain on Redemption of Preferred Shares	163,963	—
Net Income for the Period	$ 191,819	$ 25,440

Consolidated Summary of Source and Application of Working Capital

	1970	1969
SOURCE:		
Operations:		
Net income for the period	$ 191,819	$ 25,440
Add depreciation and other non-cash charges	168,039	165,427
	$ 359,858	$ 190,867
Unearned income—Season's pass sales	122,111	—
Increase in term loans	300,000	
Proceeds from issue of common shares	10,000	1,097,494
Other		3,832
	$ 791,969	$1,292,193
APPLICATION:		
Additions to fixed assets	$ 75,419	$ 438,750
Payment of and current provision for long-term debt	16,012	54,705
Redemption of 203,681 preference shares	478,651	—
	$ 570,082	$ 493,455
Increase in Working Capital	$ 221,887	$ 798,738

Prepared without audit.

AR32

interim report

FOR THE 6 MONTHS ENDING NOVEMBER 30, 1967

GROUSE MOUNTAIN RESORTS LTD.

Three months ago Grouse Mountain Resorts Ltd. issued its first quarterly report to shareholders, in which the major items brought to your attention were improved passenger count over 1966, the planned modifications to the Skyride and the opening of Blueberry Bowl. Each deserves further comment at this time.

You are all aware that the Skyride was closed from October 11 to November 30 to make a number of basic design changes. Your company was in business less than half the total days during the quarter, with the result that the passenger count of 22,001 was well below the figure of 31,781 recorded during the second quarter last year. However, the carry over effect of the exceptional summer traffic still presents a six months position of 117,522 compared to 90,310 for the same period in 1966.

The financial results for the period under review show that, in spite of the seven week shutdown, gross revenue rose from $238,965 in 1966 to $303,043 in 1967. After operating and interest expense, your company recorded a positive cash flow of $39,748 compared to only $706 last year. While the traditional seasonal effect of our business has reduced the cash position from the $94,986 high point at August 31, it is felt that the impact of this particular quarter is unlikely at any time in the future to be as severe as that which we have just experienced.

Most of the work undertaken during the shutdown period has been completed. New Skyride track cables have been installed;

GROUSE MOUNTAIN RESORTS LTD.

Comparative Statement of Profit and Loss

For the Six Months to November 30

	1967	**1966**
Gross Income	$303,043	$238,965
Operating Expenses.	210,043	186,636
	$ 93,000	$ 52,329
Interest Expense ...	$ 53,252	$ 51,623
Profit before Depreciation	$ 39,748	$ 706
Depreciation	81,000	77,337
	$ (41,252)	$ (76,631)

The above figures are subject to audit and year-end adjustment.

passenger capacity of the cabins has been altered for various adult/child ratios; covering and redesign of the loading bays is expected to be finished in January. The net result will be to provide faster operation during peak load conditions while at the same time enhancing the comfort of those waiting transport up and down.

The most recent weeks have evidenced an increasing degree of interest by the news media in the Blueberry Bowl development. Major announcements of its opening will co-incide with your receipt of this report. Work on the new chairlift has continued throughout weekends to compensate for the six weeks lost during the general forest closure last August. Provincial government tests of the lift have been conducted and it is anticipated that operation will begin, as scheduled, on December 26.

The new chairlift will serve six new runs varying from beginner to true expert offering five times our present skiing acreage and a vertical drop of more than 1,000 feet. The new winter brochure included with this report will indicate the scope of this major development which represents a significant addition to the skiing facilities available to the expanding Greater Vancouver market.

Coupled with the Blueberry Bowl expansion will be the January opening of a new ski and sports shop erected adjacent to the present Top of Grouse terminal building. A covered mall will assure year-around comfort to those visiting this new outlet, to be operated by the Alpine Hut. Rentals this year will include a completely new line of fibreglass skis, boots and poles.

Apres-ski activity should expand with nightly entertainment being planned for the Rock Room and a similar program envisioned in the Grouse Gallery located in the chalet.

The forthcoming third quarter of our fiscal year should present a decided improvement in our profit position.

On behalf of the Board of Directors,

John E. Hoegg
President.

traffic passed the 6,000 mark) — providing appropriate demonstration of the carrying capacity of the new SUPERSKYRIDE and the expanded ski lift system. It is this March market-test that presents the major note of encouragement for the level of business that may ensue next season with reasonable winter weather conditions.

Earlier this year, on April 28th, Grouse Mountain Resorts held its Annual General Meeting, at which session shareholders passed appropriate increased share authorization resolutions to assist an overall corporate refinancing program. Subsequently, management has negotiated and received approval for a $2,500,000 term loan from the Federal Business Development Bank, security for which will be in the form of a second charge on all Grouse assets and a first charge on 457 acres of certain Richmond land being acquired from Western Peat Moss (a wholly owned subsidiary of S. B. McLaughlin Associates) through the issuance of 277,000 newly authorized 8% convertible preference shares.

Documentation of this transaction currently is underway, and upon receipt of the actual funds, Grouse will be in a position to bring its overdue accounts into a current position, and to continue on this basis through the lean fall period until the ensuing winter season.

Coupled with the noted re-financing transaction was the welcomed June 27th news that the

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Council of the District of North Vancouver, by a unanimous vote, had adopted a rezoning bylaw for the 128-acre Triangle property. This action now clears the way for Grouse to proceed on the prescribed development program involving the construction of 245 single-family homes, 101 semi-detached units and 80 townhouses, all sensitively located in an exceptionally attractive site where the preservation of trees, stream corridors and natural amenities will be afforded paramount consideration. Details of the actual financing and development program will be provided shareholders as these matters crystallize.

Finally, it is pleasing to report to shareholders that the first two months of the summer season, May and June, each recorded satisfactory traffic totals, a good portion of which reflected positive public response to the new $9.95 SUPERSKYRIDE Dinner Flight program. While such information must be absorbed with a note of caution, it is hoped that a reversal of the two year decline in visitor traffic is appearing, making the summer months once again a net contributor to corporate cash flow.

On behalf of the Board of Directors.

John E. Hoegg,
President.

interim report

FOR THE SIX MONTHS ENDED APRIL 30, 1977

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GROUSE MOUNTAIN RESORTS LTD.

Grouse Mountain Resorts' first six months of operation covers the 1976/77 November to April ski season — in this case the winter that never was. A complete absence of snow throughout most of the entire period produced a pre-tax loss of $1,567,865, compared to a profit of $452,221 during the same period last year, a negative turnaround exceeding $2,000,000.

The disastrous ski season has received widespread media coverage impacting, as it did, on resort areas throughout Western North America. The financial pressure on Grouse Mountain Resorts was particularly severe as your company was faced not only with a major loss of working capital, but the attendant requirement to fund the significant carrying charges related to the new term debt incurred to finance the recently completed capital expediture program — (which new recreational facilities remained idle throughout most of the season).

While the financial information presented in the Consolidated Statement of Earnings is disheartening, results would have been even worse had Grouse not experienced a late season snowfall that permitted a few weeks of limited operation in March and early April. In fact, although marginal conditions prevailed throughout most of this period, March itself saw 71,000 persons visit Grouse, the highest figure for that particular month in history. All these persons were accommodated comfortably (even on Saturday, March 11th, when daily

GROUSE MOUNTAIN RESORTS LTD.

For the Six Months Ended April 30

CONSOLIDATED STATEMENT OF EARNINGS:

	1977	1976
Gross Revenue	$ 1,579,359	3,262,515
Operating Expenses	2,013,658	2,328,313
	(434,299)	934,202
Depreciation and Amortization	744,620	475,351
Interest on Long-Term Debt	349,660	4,692
Other Interest	39,286	1,938
	1,133,566	481,981
Earnings (Loss) before Income Taxes and Share of Loss of Investee Company	(1,567,865)	452,221
Deferred Income Taxes	(722,356)	230,600
	(845,509)	221,621
Share of Loss of Investee Company	38,707	47,034
Net Earnings (Loss)	$ (884,216)	174,587
Earnings (Loss) per Share	$ (.30)	.06

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION:

	1977	1976
WORKING CAPITAL PROVIDED BY:		
Operations	$ —	917,023
Long-Term Financing New Construction	504,497	2,232,831
Deferred Ski Season Expense	261,888	244,017
Sale of Equipment	19,246	44,681
Reduction in Investment	834	1,666
	786,465	3,440,218
WORKING CAPITAL USED FOR:		
Operations	828,102	—
Property, Plant and Equipment	517,695	2,752,812
Deferred Real Estate Development Costs	59,560	134,444
Construction Holdback Deposits	—	233,942
Deferred Ski Season Revenue	132,356	365,698
Reduction in Long-Term Debt	1,038,569	—
	2,576,282	3,486,896
WORKING CAPITAL:		
Decrease during the period	(1,789,817)	(46,678)
Working Capital (Deficiency) at beginning of period	(354,105)	285,322
Working Capital (Deficiency) at end of period	$(2,143,922)	238,644

Prepared without audit

On behalf of the Board,
Andrew E. Saxton,
Director.
John E. Hoegg,
Director.

SKYRIDE

Construction progress on the new 100-passenger aerial tramway was hampered by weather throughout the winter and by particularly difficult site conditions that adversely affected construction costs in the civil portion of the project (i.e. concrete terminal buildings, tower foundations, etc.). The more predictable mechanical/electrical portion of the erection contract will be carried out during the current summer months, with actual start up still scheduled for November, 1976.

Other capital projects currently underway include the second Blueberry Bowl chairlift (known as the "Inferno" lift due to its location over this popular expert ski run), the installation of night lighting along the Sidecut ski trail, the creation of 75 new car parking spaces at the lower terminal (in addition to the 350 spaces added last winter), modification of the Outpost ski rental facility and certain improvements to the cafeteria service area, all of which will serve to accommodate the expanded ski market expected to materialize with the completion of the "Super Skyride".

A more complete description of the new mountain facilities is contained in the attached leaflet to be given to all visitors to Grouse Mountain over the current summer months.

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SKYRIDE

This past quarter witnessed the final phase of negotiations with the Greater Vancouver Water District leading to the formal May 1st signing of an agreement to acquire the 128-acre "Triangle" property at the base of Grouse Mountain, ten per cent of the developable land to be purchased and the balance leased for 99 years. Considerable site research work has been completed over the past few months including an environmental reconnaissance report, a market study, a feasibility report, a community benefit review and an area recreational analysis. At the writing of this report, drawings of the actual site layout have been finalized and submitted to the District of North Vancouver as a formal re-zoning application, to be reviewed by District and community officials prior to a formal public hearing later this summer.

On behalf of the Board of Directors,

John E. Hoegg,
President.

interim report

SKYRIDE

FOR THE SIX MONTHS ENDED APRIL 30, 1976

GROUSE MOUNTAIN RESORTS LTD.

Grouse Mountain Resorts has now completed six months of its new fiscal year which ends on October 31st, 1976. This report thus covers the November to April winter period during which time Grouse realizes the majority of its revenue and earnings.

As noted in the first quarter Report to Shareholders, the past ski season experienced a somewhat sporadic start, with the snowmaking system being extensively utilized to enable the mountain to commence operation in late November and remain open for business during the key Christmas week. In contrast, the last half of the season produced record natural snowfall, leading to a strong finish for the year (save for the final month of April, when the competitive influence of newly opened Cypress Bowl was particularly noticeable).

Total Skyride traffic for the six months reached 324,105, up a modest three per cent. Inflationary factors primarily accounted for the $412,000 increase in gross revenue and the attendant $391,000 advance in operating expenses, such that the cash flow growth of $30,000 was also in the order of three per cent. After allowing for taxes and Grouse Mountain's share of Canyon Aerial Tramway's winter loss (i.e. its non-operating period) final net earnings position of 6¢ per share equalled that realized during the same six months of last year.

GROUSE MOUNTAIN RESORTS LTD.

For Six Months Ended April 30

CONSOLIDATED STATEMENT OF EARNINGS

	1976	1975
Gross Revenue	$3,262,515	2,850,715
Operating Expenses	2,328,313	1,933,751
	934,202	916,964
Depreciation and Amortization	475,351	434,999
Interest on Long-Term Debt	4,692	4,692
Other Interest	1,938	10,863
	481,981	450,554
Earnings before Income Taxes and Share of Loss of Investee Company	452,221	466,410
Deferred Income Taxes	230,600	243,425
	221,621	222,985
Share of Loss of Investee Company	47,034	48,539
Net Earnings	174,587	174,446
Earnings Per Share	$ .06	.06

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1976	1975
WORKING CAPITAL PROVIDED BY:		
Operations	$ 287,306	284,718
Long-Term Financing New Construction	2,232,831	—
Deferred Ski Season Revenue	535,327	700,385
Sale of Equipment	44,681	14,244
Reduction in Investment	1,666	1,250
	3,101,811	1,000,597
WORKING CAPITAL USED FOR:		
Property, Plant and Equipment	2,752,812	255,959
Deferred Ski Season Expense	27,291	14,562
Deferred Real Estate Development Costs	114,444	136,926
Investments	—	45,000
Construction Holdback Deposits	233,942	—
	3,128,489	452,447
WORKING CAPITAL:		
Increase (Decrease) during the period	(26,678)	548,150
Working Capital at beginning of period	285,322	12,899
Working Capital at end of period	$ 258,644	561,049

Prepared without audit

On behalf of the Board,

Andrew E. Saxton,
Director

John E. Hoegg,
Director

The last two construction activities, the new "Cut" chairlift and parallel T-Bar, constitute the major portion of the $743,000 six month addition to property, plant and equipment and were completed in the first week of December, in time for the expected rush of early season and Christmas week business, which this year failed to materialize as a result of weather conditions that brought unprecedented amounts of warm rain to the mountain, to effectively delay full opening until the end of the month. Early traffic results for January, however, have been encouraging and it is hoped that the business lost during December may be recovered over the season ahead.

Anticipation of increased customer patronage of Grouse Mountain prompted both the above described capital expenditures and a concurrent intensive building and lift maintenance program, which latter activity has become the main contributor to the rise in operating expenses shown in this report, producing a loss of 1¢ per share for the first six months of business compared to a positive figure of 1¢ per share last year. During this period, actual passenger traffic to Grouse Mountain continued to advance satisfactorily achieving a total of 188,067 for the first half of the year, compared to 174,579 last year.

As noted in the first quarter Report to Shareholders, business at Hell's Gate also achieved budgeted levels during the peak summer season, although a combination of factors from a disruptive highway construction program to an unusually low fall salmon run tended to mitigate the full realization of budget for the latter part of the season. Nevertheless, at the time the operation was

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closed for the winter months, traffic was some 30% ahead of the comparable period for 1971 and promotion plans are currently being established to assist continuation of this trend next year.

The Undersea Garden operations in Victoria, Newport, Oregon, and Crescent City, California, all performed at satisfactory levels during the fall months. Plans are currently being made to refurbish the Victoria unit for the 1973 season.

Additional second quarter highlights of the Grouse operation involved the celebration to welcome the company's two millionth passenger since opening of the Skyride and payment of the company's first dividend to shareholders in the amount of five cents per share.

On behalf of the Board of Directors,

John E. Hoegg,
President

interim report

FOR THE SIX MONTHS ENDED NOVEMBER 30, 1972

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GROUSE MOUNTAIN RESORTS LTD.

The first six months of Grouse Mountain Resorts 1973 fiscal year has witnessed the most extensive capital expansion and maintenance program undertaken by the company since initiation of Skyride operations six years ago.

The first project completed was the dramatic new Grouse Nest Lounge, the addition of which has added materially to operating flexibility, allowing the company to cater to private groups while undertaking regular Grouse Nest dining business, and also providing capacity for major functions such as the New Year's Eve celebrations, where total guests numbered 368 compared to a high of 210 recorded last year under the more restricted space situation prevailing at that time. In addition, new entranceways have been created to improve traffic flow through the Top of Grouse building to the various dining outlets and to the Skyride, and a new program of nightly live entertainment has turned the Loft area into an exceptionally popular après ski centre.

The second improvement involved creation of a new ski run on the south slope of the mountain and parallel to the existing "Cut", but offering a greater variety of terrain. Early customer reaction has been positive and a public contest is underway to name this trail.

A further activity completed this past year involved the complete conversion of the Outpost building from a restaurant to a centre for operation and administration of the company's new ski rental business and Head-Way® program, both of which are expected to contribute to earnings in the ski season now upon us.

GROUSE MOUNTAIN RESORTS LTD.

CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

For Six Months Ended November 30, 1972

	1972	1971
Gross Revenue	$1,018,188	$960,003
Operating Expenses	929,605	799,644
	88,583	160,359
Depreciation and Amortization	95,655	90,607
Interest on Long-Term Debt	22,015	22,198
Other Interest	3,503	19,726
	121,173	132,531
Earnings (Loss) Before Income Taxes	(32,590)	27,828
Income Taxes	15,000	(8,800)
Net Earnings (Loss) - (Note)	$ (17,590)	$ 19,028
Earnings (Loss) per share	$ (.01)	$ .01
Fully Diluted Earnings (Loss) per share	$ (.01)	$ .01

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1972	1971
Source		
From Operations		
Net Earnings (Loss) - (Note)	$ (17,590)	$ 19,028
Depreciation and other Non-Cash Items	80,655	99,407
	63,065	118,435
Proceeds on Issue of Share Capital	16,079	3,802
Unearned Income	174,851	228,313
	253,995	350,550
Application		
Property, Plant and Equipment	742,759	92,130
Increase in Investment and Advances to Associated Companies	12,487	145,847
Acquisition of Ski Shop Lease	70,000	
Dividends	77,539	
	902,785	237,977
Increase (Decrease) in Working Capital During the Period	(648,790)	112,573
Working Capital (Deficiency) Beginning of Period	65,925	(192,583)
Working Capital (Deficiency) End of Period	$ (582,865)	$ (80,010)

Prepared without audit.

NOTE: RESTATEMENT OF 1971 INCOME

On May 15, 1972, the company sold fifty percent of the shares of a wholly-owned subsidiary. The financial results of this subsidiary had been consolidated with those of the company in 1971 and prior years. The investment in this former subsidiary, now an affiliate, consists almost entirely of advances which are secured and considered fully collectible. In the past, due to seasonability of the affiliate's operations, its first half earnings had been depleted by losses in each of the next two quarters to such an extent that only marginal earnings were recorded in the 1972 fiscal year, and losses were reported in each year prior to 1972.

No income of this affiliate has been included in the accounts of Grouse Mountain Resorts Ltd. for the six months ended November 30, 1972, and, for comparison, figures for 1971 have been restated to eliminate the first half earnings of $116,973 relating to the then wholly-owned subsidiary.

GROUSE MOUNTAIN RESORTS LTD.

INFORMATION CIRCULAR

SKYRIDE

SOLICITATION OF PROXIES

This statement is supplied by the management of Grouse Mountain Resorts Ltd., hereinafter called the "Company", in connection with the solicitation of proxies for use at the Annual Meeting of shareholders of the Company to be held at the time and place and for the purposes set out in the accompanying Notice of Meeting.

In the event of your not being present at the Annual Meeting, the management of the company solicits your proxy and you are requested to sign, date and return the enclosed form of proxy.

Solicitation is being made by mail, which may be supplemented by telephone or other personal contact, to be made without special compensation by officers and employees of the Company. The Company will bear all expenses in connection with the solicitation of proxies, but the Company will not reimburse shareholders, nominees or agents for any costs incurred in obtaining from their principals forms of proxy or authorization to execute such proxies.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are directors and officers of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO ATTEND AND ACT FOR HIM ON HIS BEHALF AT THE MEETING MAY DO SO by following the instructions given on the proxy and either returning the proxy, or one in similar form, to the Company in the enclosed addressed envelope so that it is received by the Company at any time up to and including the last business day preceding the day of the meeting, or depositing the proxy with the Chairman of the meeting on the day of and prior to the meeting or any adjournment thereof.

Any proxy may be revoked by instrument in writing executed by the member or his attorney authorized in writing or,if the member is a corporation, under its common seal or by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the meeting on the day of and prior to the meeting, or any adjournment thereof, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the proxy will be voted and, where the person whose proxy is solicited specifies a choice with respect to any matter to be acted upon, the shares shall be voted in accordance with the specifications so made.

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the meeting or any adjournment thereof. At the time of this solicitation, the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the Notice of Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The class of shares of the Company entitled to be voted at the meeting are the common shares. Of these shares, there were 1,410,152 outstanding as at October 1, 1970. The registered holders of all common shares outstanding on the day of the meeting are entitled to one vote each at the Annual Meeting or any adjournment thereof on a show of hands and one vote per share on a poll.

To the knowledge of the directors and senior officers of the Company, only one company beneficially owns, directly or indirectly, equity shares carrying more than 10% of the voting rights attached to all the equity shares of the Company being the issued and oustanding common shares of the Company. This company is Derston Investment Corporation Ltd., holder of 248,647 or 28.4% of the outstanding equity shares of the Company.

ELECTION OF DIRECTORS

The board of directors consists of not less than two nor more than nine directors who are elected at the Annual Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. At present there are eight directors holding office. It is proposed that seven of these eight persons will be re-nominated at the meeting, and the additional name of Mr. Charles R. White will be proposed to replace Mr. W. D. Ardell who does not propose to seek re-election. The names of, and pertinent information with respect to, each of the nominees for election according to the records of the Company is shown in Table A attached hereto.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On June 2, 1969, the Company acquired all the outstanding common shares of Pacific Undersea Gardens Ltd. and a right to acquire in the future all its preference shares. Mr. Arthur Phillips, a director of the Company, and Mr. Charles White, a proposed nominee for election as a director of the Company, were officers and directors of Pacific Undersea Gardens Ltd. Beaumont Enterprises Ltd., a private company of which Mr. Phillips is President and a member, was the owner of 124 of the 1,000 common shares of Pacific Undersea Gardens Ltd. acquired by the Company. Beaumont Enterprises Ltd. received 32,240 common shares of the Company in the transaction and warrants to purchase an additional 3,968 shares of the Company at a price of $4.00 per share at any time up to June 1st, 1974. Beaumont Enterprises Ltd. had owned its shares of Pacific Undersea Gardens Ltd. for more than two years.

Saltaire Products Ltd., a private company of which Mr. White is President and a member, was the owner of 433 of the 1,000 common shares of Pacific Undersea Gardens Ltd. and received 112,580 common shares of the Company in the transaction and warrants to purchase an additional 13,856 shares of the Company. Saltaire Products Ltd. had owned its shares of Pacific Undersea Gardens Ltd. for more than two years.

On June 16, 1969, the Company sold a total of 300,000 common shares of the Company at a price of $3.75 per share. Placement of these shares was arranged by Odlum Brown & T B. Read Ltd. and Pemberton Securities Ltd., both of Vancouver. The two firms were paid a total commission of $37,500 (12½¢ per share) for arranging the placements. George D. Sherwood, a director of the Company, is a member of the firm of Odlum Brown & T. B. Read Ltd.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid by the Company during the year ended May 31st, 1970, to the directors and senior officers was $73,050.

On September 28, 1970, the Company set aside 100,000 common shares to constitute an Incentive Stock Option Plan for employees of the Company, including subsidiaries. The Plan incorporates the existing stock options, and new stock options were granted to certain key employees of the Company. The new options grant the right to purchase common stock of the Company at a price of $1.25 per share. The President was granted options to purchase 12,000 shares exercisable immediately, expiring May 31, 1972; 11,000 shares exercisable June 1, 1971 and expiring May 31, 1973; 6,000 shares exercisable June 1, 1972 and expiring May 31, 1974; and 5,000 shares exercisable June 1, 1973 and expiring May 31, 1975. The General Manager of the Grouse Mountain operations was granted options to purchase 2,000 shares exercisable June 1, 1971 and expiring May 31, 1973; and 3,000 shares exercisable June 1, 1972 and expiring May 31, 1974. The General Manager of the Pacific Undersea Gardens Ltd. group was granted options to purchase 2,000 shares exercisable immediately and expiring May 31, 1972; 2,000 shares exercisable June 1, 1971 and expiring May 31, 1973; and 2,000 shares exercisable June 1, 1972 and expiring May 31, 1974.

During the 30 day period preceding September 28, 1970, the price range of the common shares of the Company traded on the Vancouver Stock Exchange was $2.90 high, and $1.10 low.

On December 8, 1969, the Company agreed to grant to its General Manager of the Grouse Mountain operations an option to purchase 10,000 common shares of the Company for the price of $2.80 per share, being the trading price of the securities on the Vancouver Stock Exchange on that day, the said option to be exercised as to 4,000 shares exercisable June 1, 1970 and expiring May 31, 1971; 3,000 shares exercisable June 1, 1971 and expiring May 31, 1972; and 3,000 shares exercisable June 1, 1972 and expiring May 31, 1973.

During the 30 day period preceding December 8, 1969, the price range of the common shares of the Company traded on the Vancouver Stock Exchange was $2.90 high, and $2.60 low.

On September 3, 1970, the Company allotted 7,500 fully paid and non-assessable 7% Second Preference shares of the Company at a price of $1.00 per share to its President in consideration of the sum of $7,500, pursuant to an agreement between the Company and its President made the 31st day of May, 1967 and the exercise of the options therein contained. The authorized capital of the Company consists in part of 7,500 7% Second Preference shares. These shares are not listed or traded.

APPOINTMENT OF AUDITORS

It is proposed that Messrs. Price, Waterhouse & Co., Chartered Accountants, of Vancouver, B.C., be appointed as auditors of the Company to hold office until the next Annual Meeting of the shareholders at a remuneration to be fixed by the Board of Directors of the Company.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

A resolution will be proposed at the Annual General Meeting of the Company, the effect of which, if adopted, will be to confer a general authority on the Company, continuing until the next General Meeting of the Company, to acquire shares in other corporations.

BY ORDER

GOWAN T. GUEST, Secretary

Dated October 14th, 1970.
Vancouver, British Columbia.

TABLE A TO INFORMATION CIRCULAR OF GROUSE MOUNTAIN RESORTS LTD

Proposed Nominee	Principal Occupation or Employment	Director From	No. of Equity Shares Beneficially and Directly Owned at October 1, 1970
			Common
JOHN E. HOEGG, President	President, Grouse Mountain Resorts Ltd.	July 18, 1966	18,510
ANDREW E. SAXTON, Chairman (1)	Executive & Director, Derston Investment Corporation Ltd.	September 25, 1964	20,952
DAVID S. BEATTY (2)	President, Davebar Investments Ltd.	September 25, 1964	Nil
ELWYN E. GREGG	Retired	August 5, 1965	28,390
ARTHUR PHILLIPS (3)	President, Phillips, Hager & North Ltd.	January 7, 1965	16,371
PETER PAUL SAUNDERS (1)	Executive & Director, Derston Investment Corporation Ltd.	January 7, 1965	20,900
GEORGE D.SHERWOOD	Vice-President, Odlum Brown & T. B. Read Ltd.	September 25, 1964	5,028
CHARLES R. WHITE (4)	President, Pacific Undersea Gardens Ltd. until June, 1969. President, Saltaire Products Ltd.	N.A.	Nil

1. Mr. Saxton and Mr. Saunders are directors of Derston Investment Corporation Ltd., which owns 245,647 common shares.
2. Mr. Beatty is the President of Davebar Investments Ltd., which owns 20,000 common shares.
3. Mr. Phillips is the President and a Director of Beaumont Enterprises Ltd., which owns 75,639 common shares.
4. Mr. White is the President of Saltaire Products Ltd., which owns 112,580 common shares .

GROUSE MOUNTAIN RESORTS LTD.

INFORMATION CIRCULAR

SKYRIDE

SOLICITATION OF PROXIES

This statement is supplied by the management of Grouse Mountain Resorts Ltd., hereinafter called the "Company" in connection with the solicitation of proxies for use at the Annual Meeting of shareholders of the Company to be held at the time and place and for the purposes set out in the accompanying Notice of Meeting.

In the event of your not being present at the Annual Meeting, the management of the company solicits your proxy and you are requested to sign, date and return the enclosed form of proxy.

Solicitation is being made by mail, which may be supplemented by telephone or other personal contact, to be made without special compensation by officers and employees of the Company. The Company will bear all expenses in connection with the solicitation of proxies, but the Company will not reimburse shareholders, nominees or agents for any costs incurred in obtaining from their principals forms of proxy or authorization to execute such proxies.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are directors and officers of the Company. A SHARE-HOLDER DESIRING TO APPOINT SOME OTHER PERSON TO ATTEND AND ACT FOR HIM ON HIS BEHALF AT THE MEETING MAY DO SO by following the instructions given on the proxy and either returning the proxy, or one in similar form, to the Company in the enclosed addressed envelope so that it is received by the Company at any time up to and including the last business day preceding the day of the meeting, or depositing the proxy with the Chairman of the meeting on the day of and prior to the meeting or any adjournment thereof.

Any proxy may be revoked by instrument in writing executed by the member or his attorney authorized in writing or,if the member is a corporation, under its common seal or by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the meeting on the day of and prior to the meeting, or any adjournment thereof, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the proxy will be voted and, where the person whose proxy is solicited specifies a choice with respect to any matter to be acted upon, the shares shall be voted in accordance with the specifications so made.

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the meeting or any adjournment thereof. At the time of this solicitation, the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the Notice of Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The class of shares of the Company entitled to be voted at the meeting are the common shares. Of these shares, there were 1,521,494 outstanding as at September 21, 1971. The registered holders of all common shares outstanding on the day of the meeting are entitled to one vote each at the Annual Meeting or any adjournment thereof on a show of hands and one vote per share on a poll.

To the knowledge of the directors and senior officers of the Company, only one company beneficially owns, directly or indirectly, equity shares carrying more than 10% of the voting rights attached to all the equity shares of the Company being the issued and oustanding common shares of the Company. This company is Derston Investment Corporation Ltd., holder of 264,028 or 17.3% of the outstanding equity shares of the Company.

ELECTION OF DIRECTORS

The board of directors consists of not less than two nor more than nine directors who are elected at the Annual Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. At present there are eight directors holding office. It is proposed that these eight persons will be re-nominated at the meeting. The names of, and pertinent information with respect to, each of the nominees for election according to the records of the Company is shown in Table A attached hereto.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On June 1, 1971 Pacific Undersea Gardens Ltd., a subsidiary, successfully negotiated the purchase of the

undersea vessel previously leased and used for its operation for viewing marine life in the City of Victoria, British Columbia, from Saltaire Products Ltd., a private company for the sum of $107,531.00. Mr. Charles White, a director of the Company, is the President of Saltaire Products Ltd. Pacific Undersea Gardens was the lessee of the said vessel under an agreement with Saltaire Products Ltd., made as of May 1, 1966 and modified by way of a modification agreement made as of June 2, 1969, the date the Company acquired all the outstanding shares of Pacific Undersea Gardens Ltd. Saltaire Products Ltd., had owned the said vessel for more than two years.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid by the Company during the year ended May 31st, 1971 to the directors and senior officers was $95,594.20.

On September 3, 1970, the Company allotted 7,500 fully paid and non-assessable 7% Second Preference shares of the Company at a price of $1.00 per share to its President in consideration of the sum of $7,500, pursuant to an agreement between the Company and its President made the 31st day of May, 1967 and the exercise of the options therein contained.

The authorized capital of the Company consists in part of 7,500 7% Second Preference shares. These shares are not listed or traded.

On September 28, 1970, the Company set aside 100,000 common shares to constitute an Incentive Stock Option Plan for employees of the Company, including subsidiaries. The Plan incorporated the existing stock options, and new stock options were granted to certain key employees of the Company. The new options grant the right to purchase common stocks of the Company at a price of $1.25 per share. The President was granted options to purchase 12,000 shares exercisable immediately, expiring May 31, 1972; 11,000 shares exercisable June 1, 1971 and expiring May 31, 1973; 6,000 shares exercisable June 1, 1972 and expiring May 31, 1974; and 5,000 shares exercisable June 1, 1973 and expiring May 31, 1975. The General Manager of Grouse Mountain operations was granted options to purchase 2,000 shares exercisable June 1, 1971 and expiring May 31, 1973; and 3,000 shares exercisable June 1, 1972 and expiring May 31, 1974. The General Manager of the Pacific Undersea Gardens Ltd., group was granted options to purchase 2,000 shares exercisable immediately and expiring May 31, 1972; 2,000 shares exercisable June 1, 1971 and expiring May 31, 1973; and 2,000 shares exercisable June 1, 1972 and expiring May 31, 1974.

During the 30 day period preceding September 28, 1970 the price range of the common shares of the Company traded on the Vancouver Stock Exchange was $2.90 high and $1.10 low.

The price per share at which a stock option may be granted under the Incentive Stock Option Plan after September 28, 1970 is fixed at the time of granting at a price not less than a percentage of the last price at which the common shares were traded on the last business day prior to the date on which the option is granted, or if the common shares were not traded on such a day, then, not less than a percentage of the mean between the bid and asking quotation for the common shares at the close of business on such a day, the percentages being; 75% if the last price or mean is under 51¢, 80% if the last price or mean is between 50¢ and $1.01, 82% if the last price or mean is between $1.00 and $2.01, 85% if the last price or mean is between $2.00 and $5.01, 90% if the last price or mean is above $5.00.

On November 23, 1970 the General Manager of Pacific Undersea Gardens Ltd., exercised his option to purchase under the Incentive Stock Option Plan 2,000 shares of the common shares at a price of $1.25 per share.

On January 27, 1971 the President of the Company exercised his option to purchase under the Incentive Stock Option Plan 12,000 shares of the common shares at a price of $1.25 per share.

On June 24, 1971 the Company granted to its President the option to purchase 10,000 shares of the common shares of the Company at a price of $1.52 per share being a price not less than 82% of the mean between the bid and asked quotation for the common shares on the Vancouver Stock Exchange on the last business day prior to the day on which the option was granted being June 23, 1971, the shares not having been traded on that date. The said option is exercisable as of June 1, 1972 and expires on the close of business on May 31, 1974.

The price range at which the common shares traded for the calendar quarter October to December, 1970 was $1.55 to $2.10, for the calendar quarter January to March, 1971, $2.05 to $2.95 and for the calendar quarter April to June, 1971, $1.80 to $2.35.

APPOINTMENT OF AUDITORS

It is proposed that Messrs. Peat, Marwick, Mitchell & Co. Chartered Accountants, of Vancouver, B.C., be appointed as auditors of the Company to hold office until the next Annual Meeting of the shareholders at a remuneration to be fixed by the Board of Directors of the Company.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

A resolution will be proposed at the Annual General Meeting of the Company, the effect of which, if adopted, will be to confer a general authority on the Company, continuing until the next General Meeting of the Company, to acquire shares in other corporations.

BY ORDER

GOWAN T. GUEST, Secretary

Dated October 14th, 1971.
Vancouver, British Columbia.

TABLE A TO INFORMATION CIRCULAR OF GROUSE MOUNTAIN RESORTS LTD.

Proposed Nominee	Principal Occupation or Employment	Director From	No. of Equity Shares Beneficially and Directly Owned at September 21, 1971 Common
JOHN E. HOEGG, President	President, Grouse Mountain Resorts Ltd.	July 18, 1966	30,510
ANDREW E. SAXTON, Chairman (1)	Executive & Director, Derston Investment Corporation Ltd.	September 25, 1964	30,000
DAVID S. BEATTY (2)	President, Davebar Investments Ltd.	September 25, 1964	Nil
ELWYN E. GREGG	Retired	August 5, 1965	31,237
ARTHUR PHILLIPS (3)	President, Phillips, Hager & North Ltd.	January 7, 1965	19,259
PETER PAUL SAUNDERS (1)	Executive & Director, Derston Investment Corporation Ltd.	January 7, 1965	20,900
GEORGE D.SHERWOOD	Vice-President, Odlum Brown & T. B. Read Ltd.	September 25, 1964	6,461
CHARLES R. WHITE (4)	President, Saltaire Products Ltd.	October 28, 1970	Nil

1. Mr. Saxton and Mr. Saunders are directors of Derston Investment Corporation Ltd., which owns 264,028 common shares
2. Mr. Beatty is the President of Davebar Investments Ltd., which owns 20,000 common shares.
3. Mr. Phillips is the President and a Director of Beaumont Enterprises Ltd., which owns 79,516 common shares.
4. Mr. White is the President of Saltaire Products Ltd., which owns 112,580 common shares .

GROUSE MOUNTAIN RESORTS LTD.
507 - 1030 West Georgia Street, Vancouver, British Columbia

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

Notice is hereby given that the Annual General Meeting of the shareholders of Grouse Mountain Resorts Ltd., will be held on Monday, the 25th day of October, 1971, at the "Top of Grouse", in the District of North Vancouver, British Columbia, at the hour of 11:00 o'clock in the forenoon, local time, for the following purposes:

1. To receive and approve the annual report of the Directors.

2. To receive and approve the financial statements of the Company for the year ended May 31st, 1971, together with the Auditors' Report thereon.

3. To elect Directors.

4. To appoint Auditors.

5. To continue the general authority of the Company to take or acquire shares in other corporations.

6. To ratify the acts of the Directors and officers of the Company during the period since the last annual general meeting of the Company.

7. To transact such other business as may properly come before the meeting.

By order of the Board of Directors.

GOWAN T. GUEST
Secretary

Show this notice to the cashier at the lower terminal of the Skyride to receive free transportation to the "Top of Grouse" the morning of October, 25th, 1971.

GROUSE MOUNTAIN RESORTS LTD.
507 - 1030 West Georgia Street, Vancouver, British Columbia

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

Notice is hereby given that the Annual General Meeting of the shareholders of Grouse Mountain Resorts Ltd., will be held on Wednesday, the 28th day of October, 1970, at the "Top of Grouse", in the District of North Vancouver, British Columbia, at the hour of 10:00 o'clock in the forenoon, local time, for the following purposes:

1. To receive and approve the annual report of the Directors.

2. To receive and approve the financial statements of the Company for the year ended May 31st, 1970, together with the Auditors' Report thereon.

3. To elect Directors.

4. To appoint Auditors.

5. To continue the general authority of the Company to take or acquire shares in other corporations.

6. To ratify the acts of the Directors and officers of the Company during the period since the last annual general meeting of the Company.

7. To transact such other business as may properly come before the meeting.

By order of the Board of Directors.

GOWAN T.GUEST
Secretary

Show this notice to the cashier at the lower terminal of the Skyride to receive free transportation to the "Top of Grouse" the morning of October 28th, 1970.